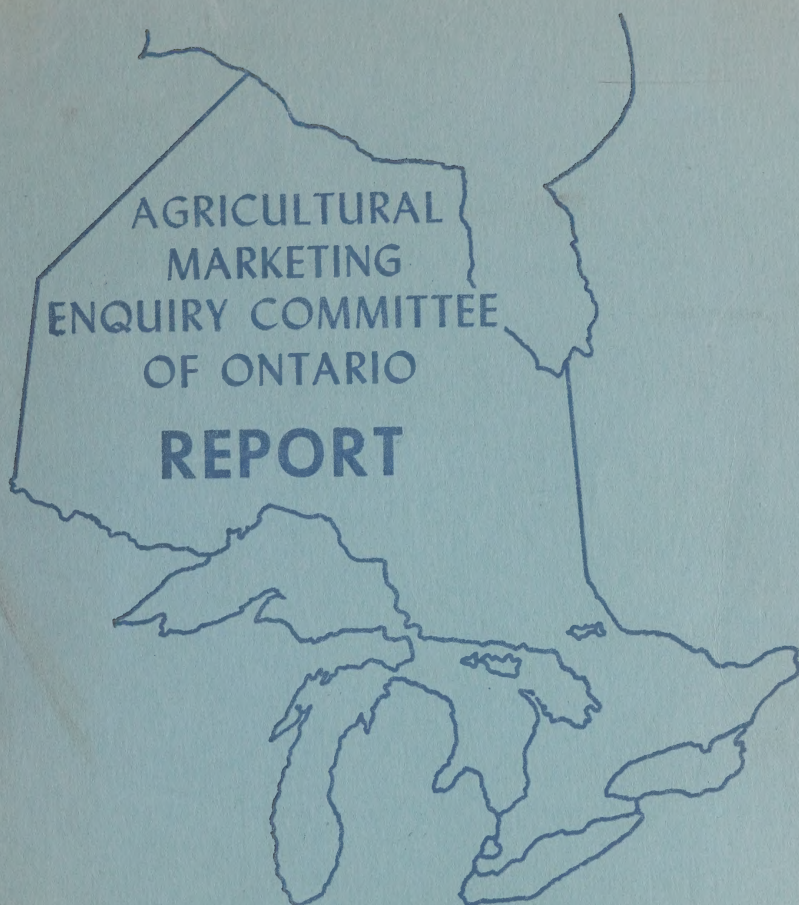


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JUNE 1961

He that will not apply new remedies must expect new evils; for time is the greatest innovator.

- Francis Bacon

This is true all over the West ... We seem to be flexible, but we haven't any model of our future before us. In the significant sense we don't know how to change. And to change is what we have to do.

- C.P. Snow


TORONTO

15 June 1961

To The Honourable W.A. Goodfellow
Minister of Agriculture for Ontario

Sir:

We, the five remaining members of the Agricultural Enquiry Committee, appointed in accordance with the terms of Order-in-Council 1040/59 to study and to make recommendations upon matters relating generally to the production and marketing of farm products in Ontario, have the honour to submit this our final Report. We recommend that it be printed in book form and published.



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ONTARIO
EXECUTIVE COUNCIL OFFICE

OC - 1040/59

Copy of an Order-in-Council approved by His Honour the Lieutenant-Governor, dated the 26th day of March, A.D. 1959.

The Committee of Council have had under consideration the report of the Honourable the Minister of Agriculture, dated the 25th day of March, 1959, wherein he states that,

... WHEREAS it is the desire of the Government of Ontario to maintain sound and progressive development of Ontario's agricultural industry and the consumption of home-grown products;

The Honourable the Minister of Agriculture therefore recommends that a Committee consisting of the following members and such other members as the Lieutenant-Governor in Council may add from time to time, be formed:

Mr. Fred W.P. Jones,
Dean of the School of Business Administration,
University of Western Ontario,
Chairman,

Mr. George McCague,
Harriston, ...
Member,

Dr. Frank Palmer,
Vineland, ...
Member,

Prof. Ralph Campbell,
Head, Farm Economics Department,
Ontario Agricultural College, Guelph,
Member,

Mr. Gordon Greer,
President, Ontario Federation of Agriculture,
Ottawa,
Member,

Mr. Gordon Hill,
President, Ontario Farmers' Union,
Varna,
Member

to inquire into the following matters:

1. Generally, into the problem of packing, storage, processing, marketing, transporting and distributing agricultural products produced in Ontario; and
2. Particularly in respect of
 - (a) existing producer marketing plans and arrangements in the light of present large-scale food processing and distributing systems and the effect of this concentration of buying power on the producer and the most practical form of producer group action to meet this concentration;
 - (b) the economics of the present packing, storage and processing facilities, procedures and techniques employed in Ontario;

- (c) the factors involved in marketing, processing and transporting agricultural products.

The Honourable the Minister of Agriculture further recommends that the Committee hold hearings at such times and places as may be necessary, and for such purpose the Chairman or Acting Chairman shall have all the powers of a Commissioner under The Public Inquiries Act.

And the Honourable the Minister of Agriculture further recommends that the Committee report to the Honourable the Minister of Agriculture and make such recommendations as in its opinion will effectively promote the production and marketing of Ontario-grown farm products in relation to changing marketing methods and consumer tastes.

And the Honourable the Minister of Agriculture further recommends that the members of the Committee who are not civil servants be paid such allowances and travelling expenses as your Honour approves and that payment be charged to Item 4 of Vote 101 of appropriations made by the Legislature for the Department of Agriculture.

The Committee of Council concur in the recommendations of the Honourable the Minister of Agriculture and advise that the same be acted on.

Certified,

(signed) H. A. Stewart

Clerk, Executive Council

ACKNOWLEDGEMENTS

During the course of its enquiry the Committee received assistance both directly and indirectly from many people. It would be impossible for us to acknowledge adequately our indebtedness to all of these persons individually, but we would like to refer here to certain groups among them and to single out a few individuals for special mention.

We would like to express our grateful appreciation to all of those individuals and groups throughout the agricultural industry who took the trouble to prepare and to present Briefs before us at the public hearings. Taken together, the presentations and written submissions represented the views of a cross-section of the industry in Ontario, and without them the completion of our assignment would not have been possible. Appendix A at the end of our Report contains a list of the groups and individuals who presented or submitted Briefs. Our special thanks go to the people in Northern Ontario and to the tobacco farmers at Tillsonburg for the courtesies accorded to us during our public hearings there.

Also included in Appendix A is a list of individuals whom the Committee consulted. Their expert knowledge was most helpful, but they are not to be held responsible for any conclusions or recommendations contained in the Report, which are the responsibility alone of the Enquiry Committee.

Various people in the agricultural industry and in government outside Ontario contributed valuable time and knowledge to our enquiry. Two members of the Committee and our Director of Research studied agricultural marketing in the upper middle-western United States. Our Director of Research consulted agricultural specialists in Ottawa and Washington.

We are conscious of the help of numerous other people whose names may not be included in the appended lists. Among these, we desire to mention Mr. E.M. Biggs, Assistant Deputy Minister of Agriculture (Marketing) for Ontario. For administrative purposes, Mr. Biggs was our contact in the Department of Agriculture, and he saw to our needs for staff and quarters with perception and despatch. Our cordial thanks also go to Dr. W.M. Drummond of Ottawa, who served on an occasional consultant basis.

Dr. William E. Haviland designed and directed our comprehensive research program, and he recruited a strong research team to carry it out. As a result of his experience with two previous Royal Commissions, Dr. Haviland also served as advisor to the Enquiry Committee on general procedure. Dr. Haviland had the heavy responsibility of drafting our interim and final reports. His has been the exacting task of organizing all of the information and ideas made available to us by the numerous Briefs, research papers and consultations with specialists, and of co-ordinating the conclusions and recommendations resulting from our deliberations. He also contributed original and creative ideas. We feel that we were fortunate indeed in having Dr. Haviland.

We wish to express our thanks to each member of the research team:

A. A. Burnett, G. R. Winter, H. J. Weijs, J. F. Lintott, W. L. Ogilvie, N. F. Pillai, Joseph Levitt, Pamela Thompson, M. A. MacGregor, J. W. L. Winder, B.B. Perkins, Dieter Elz, J. W. Wood, Horace Carby-Samuels, J. P. Hrabovsky, R. Bolger, Varge Gilchrist, Helen Abell and other associates of the federal agricultural Economics Division. Appendix B indicates the areas in which each researcher worked, the approximate duration of the work, and his or her previous or current institutional affiliation. The valuable and versatile contributions of Mr. Alvin Burnett and Mr. George Winter merit special mention.

Appendix C contains lists, arranged by chapter subject matter, of the references found useful in the research work. Also listed are many helpful people who were contacted by our research staff.

We gratefully acknowledge the assistance of our secretarial and office staff. Appendix B lists each member, but special thanks go to Mr. Murray Riach, our General Secretary who assisted us in many ways; and Miss Elizabeth Wallace, our competent chief secretary-stenographer. Mr. Riach was seconded to us for the duration of the enquiry, and Miss Wallace for all but the final three months, by the Ontario Department of Agriculture. The Enquiry Committee also appreciates very much the contribution made by Mrs. Mary Curtin.

PART I - THE CENTRAL PROBLEM

CHAPTER 1 - INTRODUCTION

Agricultural conditions in Ontario in 1959 at the time of the appointment of the Enquiry Committee had two deeply disturbing features: the worsening economic plight of our farmers, and their declining share of Ontario's expanding market.

The nature and scope of our assignment as a Committee of Enquiry into Ontario agriculture were indicated in Order-in-Council 1040/59 which set up the Enquiry. The Order-in-Council instructed us to enquire into the following matters:

1. Generally, into the problems of packing, storage, processing, marketing, transporting and distributing agricultural products produced in Ontario; and
2. Particularly in respect of
 - (a) existing producer marketing plans and arrangements in the light of present large-scale food processing and distributing systems and the effect of this concentration of buying power on the producer and the most practical form of producer group action to meet this concentration;
 - (b) the economics of the present packing, storage and processing facilities, procedures and techniques employed in Ontario;
 - (c) the factors involved in marketing, processing and transporting agricultural products.

It was announced in the Speech from the Throne of January 27, 1959, that "The enquiry will be aimed at facilitating the marketing and processing of Ontario farm products to meet the requirements of consumers whose purchasing habits are being altered by new merchandising facilities and methods". The Minister of Agriculture announced to the Legislature on March 19, 1959, that the enquiry should go beyond marketing "... right back to the producers of farm crops in connection with varieties and the whole matter of producing good foodstuffs for the consuming public".

We were asked to concern ourselves with the longer-run significance for agricultural production and marketing of the far-reaching changes that are underway in consumer buying and merchandising. The Minister of Agriculture informed the Legislature on March 19, 1959, that the purpose of the Committee was "... to make a complete study of the whole matter of farm marketing in the long-term interests of the agricultural industry in the Province of Ontario".

In accordance with the foregoing terms of reference, we have examined existing facilities, methods and organizations in the agricultural industry of Ontario from the viewpoint of their adequacy for meeting consumer requirements. Because of the far-reaching changes underway, our investigation has had a forward-looking orientation. As was anticipated in the terms of reference, it proved necessary to concern ourselves with problems encountered at the farm level in adjusting to market trends. In following our terms of reference, the Committee felt that it could not adequately consider the problems of Ontario agriculture without examining the organization of the Department of Agriculture. Also, during the course of our work, we were requested by the Minister of Agriculture to consider Departmental organization.

Our responsibilities, however, have not included the solving of problems that arise from day to day and which are more properly the concern of the industry itself and of the permanent full-time officials of the Department of Agriculture. A Committee like ours, by the nature of its commission, is quite incapable of coping with short-run administrative problems. To put it another way, our efforts have been directed mainly to studying general agricultural trends in Ontario and to diagnosing and prescribing for persistent problems

rather than to putting out "brush fires".

It is important to understand what agricultural change is doing to people as well as for people, however. Short-run problems can be extremely important to the people concerned, and realizing that government could not stand still while we deliberated the broader issues, we compiled a complete list of complaints and requests contained in the Briefs presented to us at the public hearings and forwarded it to the Minister of Agriculture a year ago for his information.

Although we have not been able to deal with many of the particular complaints and requests which we received, we have been deeply concerned with the broader question of whether some continuing agency or board could be devised for purposes of promoting needed adjustments within the agricultural industry and conciliating or arbitrating sectional differences before they reach crisis proportions.

The terms of reference gave us considerable latitude, and we have accordingly carried out a comprehensive study of agricultural production and marketing. Our probing has included prospective trends in consumer demand and in farming, as well as in-between marketing developments. Our investigation into Ontario agriculture inescapably involved consideration of inter-regional competition, at both the interprovincial and international levels, and certain areas of inter-government responsibility.

We have come to believe that there is a central problem facing Ontario agriculture, and we show in Chapters 2 to 5 of Part I how we reached this conclusion. There are, to be sure, many sides to this complex problem. The various chapters of Part II are devoted to a more detailed analysis of various facets of the central farm problem. We have maintained throughout what we call a "principles" approach, and so in Chapter 6, we have set down our guiding principles for all to see. Part III contains our Conclusions and Recommendations.

Although many of the subjects dealt with are large and far from simple, a special effort has been made to present a readable Report. We have prepared the Table of Contents in sufficient detail to serve as an index as well as reveal the general structure of the Report. The Report is arranged so that readers who wish to follow only the general line of our argument can move on directly from Part I to Chapter 16. Part II will interest those readers who wish to pursue the various turns and twists of a complex subject. Individual chapters of Part II will interest readers who are concerned with particular specialized fields.

In our Report, we have with the best of goodwill kept in mind that different, sometimes divergent, interests are represented on the Enquiry Committee. We have chosen not to weaken our Report by always insisting on a point of view that could be supported unanimously by us. We have been satisfied rather with reaching majority opinions on certain controversial issues, believing that the minority remarks themselves add to the value of the Report.

We realize that errors of fact may have crept into the Report. We feel confident, however, that any such errors would not alter our basic conclusions and main recommendations. We hope that what we have achieved is a valid long-run adjustment formula for Ontario agriculture within the context of a rapidly expanding economy. We will be content, therefore, if our general guide lines prove to be useful to the various sectors of the agricultural industry in Ontario during the next decade or two, and we will not be dismayed if some details should turn out, as time passes, to be out of focus. In dealing with the future (with its possibilities of unpredictable technological breakthroughs as well as its customary ebb and flow of public affairs), we could only hope to chart directional indicators.

The wind of change is blowing strongly through the agricultural industry and this places a high premium on foresight. It is well to remember that the

last general enquiry into Ontario agriculture was made 80 years ago. The Ontario Agricultural Commission Report of 1881 became one of the most important documents in the history of Ontario agriculture. The Report of 1881 contained the following remarkable foresight of a witness: "I have no doubt if a person made a business of it, he could supply a very large city with half-grown chickens for the table and make it pay very well".

Summary

Agricultural conditions in Ontario in 1959 at the time of the appointment of the Enquiry Committee had two deeply disturbing features: the worsening plight of our farmers, and their declining share of Ontario's expanding market.

In accordance with our terms of reference and instructions, we have endeavoured to carry out a thorough and forward-looking study of agricultural production and marketing in Ontario.

CHAPTER 2 - TRENDS IN DEMAND

A rewarding market for their products is a key requirement for the prosperity of farmers. This seems obvious, and yet certain crucial conclusions follow from it that have not always been accepted or understood. One such conclusion is that, in our economy, farm production must be tailored to suit market wants, to popular demand. The strength and pattern of demand for farm products at the farm gate are derived from consumer purchases at retail, after being transmitted back to farmers through the marketing system. It follows that the only market wants that count in this context are present and future ones. Yesterday's wants are museum items.

The Brief presented to us at the public hearings by the Ontario Department of Economics called for an increase in Ontario's production of quality foods, decoratively packaged, in order to supply the increasing volume and variety of consumer wants. The desire of consumers for more choice in the goods and services which they buy seems almost unlimited.

In this chapter we discuss trends in demand in Ontario during the next two decades, and in the following two chapters we discuss trends in marketing and farming. Trends are central tendencies or averages, and there sometimes are exceptions to trends which are important enough to merit mention.

It might help for us to begin by listing some of the general factors affecting the extent and pattern of demand for farm products: immigration and population growth; employment levels, wages and salaries; consumer credit; spending and saving habits; taxes; production and business expansion, changes in technology and productivity; exports and imports; and price structures. Of these general influences, those more directly affecting the volume and pattern of sales of our farm products are treated in this chapter; other general influences are discussed in Chapters 3 and 4.

The task of estimating future demand for Ontario farm products is not simple or certain. Judgment must play an important part. We do not indulge in such forecasting with the hope of reaching exact and detailed results. Our purpose is rather to predict the probable direction and approximate amount of expected shifts in the present pattern of demand far enough in advance that appropriate adjustments in production and marketing can get underway within the industry. Shifting patterns of demand are signals calling for modifications in the quantities, qualities, and kinds of commodities being produced.

For reasons which we present in Chapter 14, we expect Ontario itself to continue to be the main market for Ontario farm products. We are convinced, furthermore, that our expanding metropolitan markets in Ontario will be a very influential force in setting the pace and pattern of future sales (Chapter 12).

The recent pattern of food purchases in metropolitan markets can be illustrated by reference to Toronto. Weekly food expenditures per person, by major food groups, in Toronto in 1957 are shown in Table 1 along with the distribution of the food dollar. Attention is drawn to the importance of the meat and fruit and vegetable groups, and also foods eaten away from home. The amount spent on food away from home varied from 56 cents per person per week for families in the \$2,500 to \$2,999 income range to \$1.00 per person per week for families in the \$6,000 to \$7,000 income range.

TABLE 1. PATTERN OF WEEKLY FOOD EXPENDITURE, TORONTO, 1957.

<u>Food Group</u>	<u>Dollars per Person</u>	<u>Per cent of Food Dollar</u>
Dairy Products	.80	11.8
Eggs	.25	3.6
Bakery and Cereal Products	.87	12.8
Meat and Poultry	1.78	26.2
Fish	.15	2.2
Fats and Oils	.32	4.7
Fruits and Vegetables	1.00	14.5
Frozen Foods	.09	1.3
Other Foods	.79	11.5
Foods away from home	.77	11.4
TOTAL	6.79 ^a	100.0

^a Statistical discrepancy of .03.

Source: Dominion Bureau of Statistics, Urban Family Food Expenditure 1957, Ottawa 1960.

Our forecasts of food consumption per person in Ontario in 1980 are based on an assumption of continuing industrialization. Essentially, the forecasts are projections of trends in per capita consumption of various foods and food groups that existed during the last two or three decades. In making our estimates we also take into account consumption trends and forecasts for Canada and the United States. In matters of this kind, the shape of things to come can often be foreseen by looking at recent United States experience.

Our predictions could easily be upset by technological breakthroughs which alter substantially the present price relationships among products. (A recent technological breakthrough of this kind was the mass production of broiler chickens.) For future use, the following estimates should be revised continually to keep them up to date with improved information and changing times.

Population plus purchasing power largely determine the extent of the demand for food; and of these influences population is the more important. Over the last 15 years, the population of Ontario has been increasing at an average rate of about 140,000 people per year. If we assume that this impressive rate continues, the population of Ontario would be 8.9 million by 1980, which would be about 46 per cent greater than the 1960 figure of 6.1 million. We think, however, that 8.5 million would be a more realistic forecast, which would be about a 40 per cent increase. We can also express the expected rate of increase in population as 1.7 per cent per year. Ontario's population may be expected to continue to account for about a third of the total for Canada.

Incomes in Ontario have been increasing, in terms of purchasing power as well as dollar amount. We expect disposable income (available, after income taxes, for spending or saving) to reach \$2,100 per person by 1980, expressed in 1959 dollars, which would be about 31 per cent greater than the 1959 figure of \$1,599. We can also express the expected rate of increase in income per person as 1.3 per cent per year.

As their incomes rise, people tend to buy more of certain foods, less of others, and the same amount of the rest. Canadian and United States figures for many years show, however, that the total weight of all food consumed per person remains fairly steady at about three-quarters of a ton (1,500 lbs.) per year. This is mainly because the capacity of the human stomach is limited.

There are other influences on the average amount of food consumed, although these may more or less offset each other. There are some under-nourished people in Canada, people who go to bed hungry. There are also some over-nourished people, people who eat too much of everything for their own good.

Successive generations of people are getting bigger bodies, and so the body maintenance ration may be expected to increase. Work is getting less physical and more sedentary, however, and so the production ration may be expected to decrease. The age distribution of the population is developing bulges at both the younger, heavier-eating, end of the scale and at the older, lighter-eating, end.

The distribution (as distinct from the average level) of incomes among the population also has a bearing on the average amount of food consumed. Generally, the more even the distribution of incomes, the higher the level of food consumption per person and in total. The strength of this influence is not great, however, and so we do not anticipate substantial changes in food consumption resulting from increasing equality in income distribution in Ontario.

Even though income per person is expected to be 31 per cent greater by 1980, we expect only a slight increase in the weight of all food consumed on the average per person. Because the population is expected to increase by 40 per cent by 1980, however, we expect that the total weight of food consumed in Ontario also will increase by about 40 per cent, or at a rate of 1.7 per cent per year.

We turn now to the consumption forecasts for major groups of foods, important individual food items, and tobacco. Our estimates of consumption per person in Ontario in 1958 and forecasts for 1980 are also presented in Table 2. It is difficult to avoid misleading figures in a table such as Table 2 because of deviations from trend in particular years such as 1958. We attempted to allow for this by adjusting our 1980 estimates so as to show expected changes in trend.

Red Meats

The consumption of red meats in 1958 in Ontario is estimated at 147 pounds per person, retail weight. This has been increasing, but not as fast as incomes. Our forecast for red meat consumption in Ontario in 1980 is 171 pounds per person, which would be an increase of about 16 per cent over its 1958 level.

The consumption of beef in 1958 in Ontario is estimated at 70 pounds per person. This has been increasing, and we expect it to continue increasing almost as fast as incomes. Our forecast for beef consumption in Ontario in 1980 is 87 pounds per person, which would be an increase of about 24 per cent over its 1958 level.

The consumption of pork in 1958 in Ontario averaged about 53 pounds per person. Pork consumption is expected to increase only slightly by 1980; our estimate for that year is 57 pounds per person, which would be an increase of 7.5 per cent over 1958.

Poultry

The consumption of chicken and fowl in Ontario in 1958 is estimated at 33 pounds (eviscerated weight) per person. We expect poultry consumption to continue increasing about as fast as incomes; our forecast for 1980 is 44 pounds per person, which would be a 33 per cent increase over 1958.

Eggs

The consumption of eggs in Ontario in 1958 is estimated at 37 pounds per person. Our forecast for 1980 is 39 pounds per person, which would amount to an increase of 5 per cent over 1958.

Fish

The consumption of fish in Ontario in 1958 is estimated at 13 pounds per person; we do not expect any change in this by 1980.

TABLE 2. ESTIMATES OF CONSUMPTION OF FOODS AND TOBACCO, ONTARIO 1958 and 1980, IN POUNDS PER PERSON AT RETAIL.

Food Group or Item	1958	1980	Pounds Change	Per Cent Change
Red Meats	147	171	+24	+16.3
Beef	(70)	(87)	(+17)	+24.2
Pork	(53)	(57)	(+ 4)	+ 7.5
Poultry ^a	33	44	+11	+33.3
Eggs	37	39	+ 2	+ 5.4
Fish	13	13	0	0
Dairy Products	453	456	+ 3	+ 0.7
Fluid Milk & Cream	(391)	(387)	(- 4)	- 1.0
Concentrated Products ^b	(26)	(30)	(+ 4)	+15.4
Ice Cream	(12)	(16)	(+ 4)	+33.3
Butter	(16)	(12)	(- 4)	-25.0
Cheese	(8)	(11)	(+ 3)	+37.5
Oils and Fats	48	49	+ 1	+ 2.1
Cereal Products	147	114	-33	-22.4
Fruits ^c	190	215	+25	+13.1
Apples	(28)	(30)	(+ 2)	+ 7.1
Grapes	(25)	(26)	(+ 1)	+ 4.0
Peaches	(10)	(12)	(+ 2)	+20.0
Vegetables ^d	108	109	+ 1	+ 0.9
Potatoes	120	100	-20	-16.7
Tomatoes ^c	59	59	0	0
Pulses ^e and Nuts	10	7	- 3	-30.0
Sugar	98	98	0	0
TOTAL, All Foods	1,463	1,474	+11	+ 0.8
Tobacco	6	7	+ 1	+16.7

a Eviscerated

b Condensed and evaporated milk and milk powder

c Fresh equivalent weight

d Excluding potatoes and tomatoes

e Edible legume seeds

Source: Our estimates.

Dairy Products

The consumption of dairy products, in their retail form, in Ontario in 1958 is estimated at 453 pounds per person. We expect this to increase by less than 1 per cent to 456 pounds per person by 1980.

The 1958 consumption figure for fluid milk and cream was 391 pounds per person. We expect this to decrease by 1 per cent, to 387 pounds, by 1980.

We expect the consumption of concentrated milk products (condensed and evaporated milk and milk powder) to increase. Our 1980 forecast is 30 pounds per person, which would be a 15 per cent increase over the 1958 figure of 26 pounds.

The consumption of ice cream in 1958 was about 12 pounds per person. We expect this to increase by 33 per cent to 16 pounds by 1980.

The consumption of butter in Ontario in 1958 was about 16 pounds per person. We expect this to continue declining to about 12 pounds by 1980, which would be a decline of 25 per cent from the 1958 level.

The consumption of cheese in Ontario in 1958 is estimated at eight pounds per person. We forecast an increase of 37.5 per cent by 1980, which would bring us to a consumption figure of 11 pounds per person. The increase will be mainly in processed and fancy cheeses rather than cheddar.

Oils and Fats

The consumption of oils and fats in 1958 was about 48 pounds per person. We anticipate only a one pound, or two per cent, increase by 1980.

Cereal Products

Our estimate of consumption of cereal products in Ontario in 1958 is 147 pounds per person. We forecast further declines in this to about 114 pounds per person in 1980, which would be a drop of 22 per cent.

Fruit

The consumption of all fruit in Ontario in 1958 is estimated at 190 pounds per person, fresh equivalent weight. This is expected to increase by 13 per cent, to 215 pounds, by 1980.

The consumption of apples in 1958 was about 28 pounds per person. We forecast a figure of 30 pounds for 1980, which would be an increase of about 7 per cent from 1958.

The consumption of grapes in 1958 is estimated at 25 pounds per person. We expect an increase of 4 per cent to 26 pounds by 1980.

The consumption of peaches in 1958 was about 10 pounds per person. Our 1980 forecast is 12 pounds, which would be an increase of 20 per cent over 1958.

Vegetables

The consumption of vegetables as a group (excluding potatoes and tomatoes) in 1958 was about 108 pounds per person. We expect this to increase to 109 pounds by 1980, which would be an increase of nearly 1 per cent over 1958.

Potatoes

Our estimate for the consumption of potatoes in Ontario in 1958 is 120 pounds per person. We forecast a further decline to 100 pounds in 1980, which would be a 17 per cent decrease from 1958.

Tomatoes

The consumption of tomatoes in 1958 was 59 pounds per person, fresh equivalent weight. We forecast no change by 1980.

Pulses and Nuts

We estimate that the consumption of pulses (edible legume seeds) and nuts in Ontario in 1958 was 10 pounds per person. Our forecast for 1980 is 7 pounds, which would be a decline of 30 per cent from 1958.

Sugar

The consumption of sugar in 1958 was about 98 pounds per person. We do not expect any change in this by 1980.

Tobacco

The consumption of tobacco in Ontario in 1958 was nearly six pounds per person. We expect this to increase by 1 pound or 17 per cent by 1980.

To summarize: We are forecasting substantial increases in consumption per person of meat (especially beef), poultry meat, fruit (especially processed fruit), ice cream, and cheese; medium increases for concentrated milk products, peaches, pork and tobacco; small increases for eggs, apples, and grapes; no change, or almost no change for oils and fats, the dairy products group as a whole, vegetables as a whole, fish, tomatoes, and sugar; a small decline for fluid milk; and substantial declines for cereal products, potatoes, butter, and pulses (edible legume seeds) and nuts.

These forecasts amount to an up-grading of our diets, caused not only by rising incomes which enable people to afford the kinds of food and food services which they prefer, and not only by improvements in the quality of foods and increases in their variety, but also by a more wide-spread awareness of nutrition.

This changing diet is a more expensive one - it would cost more per pound of food even without inflating food prices. This is because it has more farming and marketing resources embodied in it, as explained in Chapter 3.

Although we are shifting towards higher-priced foods, the expenditures on food are not increasing as fast as people's incomes. Twelve years ago, about 25 per cent of our incomes, on the average, was spent on food. In 1959, expenditure on food had dropped to 23 per cent of disposable income. An hour's wage now buys more and better food.

Population growth, full employment, and rising incomes mean expanding markets for the more expensive forms of foods. This does not automatically guarantee prosperity for the producers of these foods, but their prosperity as a group without these background conditions would be unlikely. Full employment in the economy is probably as important to commercial agriculture as it is to most other industries. Maintaining full employment, as the post-war recessions show, is not so easy - it could be described as the tricky art of crawling along an upward-sloping ceiling.

In times of wide-spread and prolonged unemployment, purchasing power begins to dry up. People still buy food but they switch to less expensive forms of food. If this calamity were to happen during the next two decades, then our forecasts would be out. Ontario agriculture has a big stake in a prosperous, expanding economy.

Thus far, we have been talking about a rising long-run trend in the demand for food, and the ups-and-downs of business activity about this trend. We now turn our attention briefly to the day-to-day behaviour of the demand for food. The key factor here is price, or rather price relationships. Food being a necessity, total sales do not respond rapidly to changing prices - that is, the demand for food in general is not "elastic" with respect to price. On the other hand, the sales of particular foods are sensitive to their own price changes or to price changes of close substitutes. The demand for specific Ontario farm products is usually sensitive to price because of the considerable competition from substitutes and from producing areas in other provinces and the United States.

A study carried out for us at the Ontario Agricultural College indicates that beef consumption is quite sensitive to price changes. It is also affected by pork prices. Pork consumption seems to be affected more by changes in poultry prices than beef prices, which suggests that poultry is more substitutable for pork than is beef. During the last decade, the falling price of poultry was a major factor in rapidly increasing poultry consumption. During the last decade the consumption per person of dairy products declined as

prices and incomes rose because the consumption of dairy products is more sensitive to price changes than to income changes. The consumption of fluid milk is sensitive to changes in the prices of milk powder and evaporated milk. Butter consumption appears to be equally sensitive to changes in the prices of butter and of fats and oils. Cheese consumption appears to be very sensitive to price changes in substitute products. Egg consumption seems to be sensitive to price. The Ontario Agricultural College study also suggests that tomato and fruit consumption are probably more closely related to incomes than to price.

In the preceding two paragraphs we have been talking about the different relationships that exist between the volume of sales of various foods and their prices or the prices of substitutes. Incomes of farmers producing foods the sales of which do not respond readily to changes in price are vulnerable to shifts in demand and supply. This is also true for all foods taken as a group; a small change in supply can cause a large change in price. This line of thought serves as an excellent link with the next chapter on trends in marketing, to which we now turn.

Summary

The strength and pattern of demand for farm products at the farm gate are derived from consumer purchases at retail, after being transmitted back to farmers through the marketing system. Chapter 2 discusses the main forces determining consumer demand for farm products, and then indicates the probable pattern of change in demand for farm products over the next two decades. Our purpose is to predict the probable direction and approximate amount of expected shifts in the pattern of demand far enough in advance so that appropriate adjustments in production and marketing can get underway within the industry. Shifting patterns of demand are signals calling for modifications in the quantities, qualities, and kinds of commodities being produced.

We expect the population of Ontario to increase by 40 per cent by 1980, and income per person to increase by 31 per cent. As their incomes rise, people tend to buy more of some foods and less of others, but the total quantity of food consumed per person does not change much.

Substantial increases in consumption per person of meat (especially beef), poultry meat, fruit (especially processed fruit), ice cream, and cheese are forecast. A medium increase is forecast for concentrated milk products, peaches, pork, and tobacco. A small increase is forecast for eggs, apples, and grapes. No change, or almost no change, is forecast for oils and fats, dairy products as a whole, vegetables as a whole, tomatoes, fish, and sugar. A small decline is forecast for fluid milk. Substantial declines are forecast for cereal products, potatoes, butter, and pulses (edible legume seeds) and nuts.

This changing diet is a more expensive one because it has more farming and marketing resources embodied in it. The strength of the trend depends largely upon employment and incomes.

Food being a necessity, total sales do not respond rapidly to changing prices. The sales of particular foods produced by Ontario farmers are usually sensitive to price changes, however, because of competition from substitutes and from other producing areas.

CHAPTER 3 - TRENDS IN MARKETING

Farmers generally have found the selling of their products to be a risky business. Evidently what is needed is a system of marketing that will guide farmers in producing the quantity and quality of products wanted by consumers, that will process and distribute these products efficiently, and that will pay all parties concerned fairly for their contributions.

Chapter 3 deals very briefly with the main trends in marketing farm products in Ontario. For further details, please turn to Chapters 7 to 10 and 14 in Part II of the Report. The continuing tendency for certain commodities to experience recurrent cycles of heavy and light marketings is discussed in Chapter 8.

Food materials tend to lose their original identity as they move through successive stages of the marketing system to the consumer. In Chapter 2 we indicated that the demand of consumers for food is tied up with their demand for food services. With rising consumer incomes, the demand for food services has been increasing faster than for food itself. This trend has reached a point now where the farm value of food accounts, on the average, for less than half of the retail value.

The farmer's share of the retail price of particular products tends to vary mainly with the amount of processing involved. Table 3 shows that during the nine-year period 1949-57 the Canadian farmer's shares of the retail value of butter and eggs averaged about 77 per cent and 76 per cent respectively. The farmer's shares on broilers, pork and beef averaged about 61 per cent. The farmer's share on fluid milk and potatoes averaged about 55 per cent and 50 per cent respectively. The farmer's share on sugar beets was about 46 per cent; on flour and evaporated milk, about 40 per cent. The farmer's shares on canned strawberries and process cheese were about 33 per cent and 34 per cent respectively; on apples, 30 per cent; and on frozen strawberries, 28 per cent. On canned tomatoes, canned peas, canned corn and canned peaches, the farmer's share was about 20 per cent. On bread and frozen peas, the farmer's shares averaged 17 per cent and 15 per cent. These farm shares were rough averages for the period as a whole, and therefore hide many variations that occur in the farm-retail price spread of most food commodities from time to time and place to place.

The original measurements were made by the Royal Commission on Price Spreads of Food Products (Stewart Commission). The Stewart Commission found that, in general, the farm-retail spread widened, and the farmer's share became smaller, during the decade 1949 to 1958. The farm share of the retail value decreased from 59 per cent in 1949 to 44 per cent in 1958. Two general explanations for these trends were given:

- (1) Increasing consumer incomes and demand were pulling retail prices up while increasing productivity and supplies were pushing farm prices down.

- (2) Food marketing services (such as processing, packaging, storage, and transportation), and the prices for these services, were increasing. The contents of a typical food basket were changing toward more expensive kinds of foods, but more important than this were the increasing amount and inflating prices of food services.

The Stewart Commission found that some of these increasing services are related specifically to one commodity and some are general to food merchandising. There are services which are related to the convenience of consumers. There are services which are made possible by technological developments and which are reflected in the form or quality of the product. Another factor in the widening farm-retail price spread on food is promotional activities - packaging, advertising, "give-aways", and contests. Because of the broad economic forces making for higher consumer incomes and for lower farm prices, the food industries found themselves in a favourable position to seek out services to which the consumer dollar could be attracted.

TABLE 3 - APPROXIMATE FARM SHARES OF RETAIL VALUE,
SELECTED PRODUCTS, CANADA AVERAGE 1949-57.

Product	Farm Share of Retail Value Approx. Per Cent
Butter	77
Eggs, A-Large	76
Beef	62
Pork	61
Chicken Broilers	61
Fluid Milk	55
Potatoes	50
Sugar Beets	46
Flour	40
Evaporated Milk	40
Process Cheese	34
Canned Strawberries	33
Apples	30
Frozen Strawberries	28
Canned Peaches	21
Canned Corn	21
Canned Tomatoes	20
Canned Peas	20
Bread	17
Frozen Peas	15

Source: Adaption from Report of The Royal Commission on Price Spreads of Food Products, Ottawa, Sept. 1959, Vol. 1, p. 25.

The trend to more food services and wider farm-retail price spreads can be expected to continue. Hazel K. Stiebeling, Director of the Institute of Home Economics of the United States Department of Agriculture, recently stated in the Journal of the Stanford Research Institute that:

Many of the time-saving, ready-to-serve foods may be just as economical...But, in general, the money outlay is likely to become larger as we buy more maid service provided by processed food and buy more numerous and more elaborate appliances and gadgets for food preparation and service...Technological advances will free the homemaker from the drudgery of the kitchen, allowing her to reach into the rich, traditional past for warmly creative ideas to please her family at the dinner table.

When discussing rising retail prices of a basket of food, it is well to remind ourselves that wages have been rising more rapidly - the wage for an hour's work in manufacturing buys about 40 per cent more food now than ten years ago.

Another trend in marketing has been associated with the headlong growth of cities and metropolitan markets. We are referring to mushrooming shopping centres and chain supermarkets catering to mobile shoppers. We can confine our remarks here to a few general comments because these mass-merchandising institutions are discussed in Chapter 8. The supermarket chains have not been passive participants in the whole process of urbanization, but have actively experimented with marketing innovations. The chains have grown and shifted along with the population; they have accommodated themselves to rising incomes and changing tastes. We do not think that they have "created" new demand for food in general but certainly they have helped to shape its changing profile. Consumer wants have been more promptly and specifically transmitted to producers by the chains. Producers and processors have had to accommodate themselves to the demand of the chains for volume, uniform quality, and continuity of supplies. Research and the development of new products have become vital to survival. In the process, food retailing and wholesaling have become more

integrated and concentrated.

The processing industries also have become more concentrated. According to the Stewart Commission (parentheses ours):

At the beginning of the period (that is, in 1949) there was already a fairly high degree of concentration in most food industries - Prepared Breakfast Foods, Sugar Refining, Slaughtering and Meat Packing, Processed Cheese, Condensed Milk, Fruit and Vegetable Processing, and Flour Milling. By the end of the period (1958) the degree of concentration was somewhat greater in most industries, the sharpest increase having occurred in the Flour Milling industry. In industries such as Prepared Breakfast Foods and Fruit and Vegetable Processing, which differentiate products and sell under brand names, promotional activity was stepped up both directly by firms themselves or by advertising allowances paid to chain store buyers. In general, the firms in the food processing industries have found themselves faced with fewer and more powerful buyers. The effect of the increased pressure on them is evident in the increasingly complicated arrangements for allowances and discounts, and is hidden in the level of prices received by processors. Processors have increasingly entered into arrangements with producers which have the effect of ensuring their sources of supply.

Although it cannot be proven, it seems likely to us that this increased concentration in food processing and distribution tended to increase the vulnerability of farmers. It would be easier for a more concentrated food industry to pass price changes forward to the consumer or backward to the producer. A more concentrated food industry might refrain from exercising monopolistic power, however, under certain circumstances such as the fear of retaliation, of entry of rival firms, of import competition, or of unfavourable public opinion. In general, however, increased concentration in food processing and distribution makes it seem more uncertain that there will be active price competition for the farmer's products or that any gains from increased efficiency will be passed back to, or retained by, the producer. Under these circumstances it was to be expected that the many small independent producers would band together in some form of collective bargaining.

Co-operatives were the earliest form of collective self-help taken by farmers, usually with the blessing, and often with the help, of government. Co-operatives, like farms, have been increasing in size and decreasing in number. Co-operatives with common interests have sometimes formed federations. In this province, perhaps the most successful example of this federated form of collective action is the United Co-operatives of Ontario, primarily a supply co-operative, and its marketing affiliate, United Dairy and Poultry Co-operative.

Most co-operative marketing has taken place at the first stage of assembling the farmers' products. Except for dairy products, not much processing is done co-operatively, and co-operative retailing is almost insignificant.

Although co-operative practices vary widely, a cardinal principle of co-operative action is voluntary membership. During the desperate depression of the 1930's, this principle proved to be a serious weakness for co-operatives attempting to bolster sagging farm prices. The incentive for individual farmer members of the co-operatives to break ranks proved irresistible.

The Ontario government does not market farm products directly, in a public utility sense. As co-ordinator of production and marketing policies, however, it influences the pattern of development.

Marketing boards, organized on a commodity basis and with compulsory collective powers provided by legislation became the next prominent phase in the evolution of agricultural marketing systems. Under marketing boards, the will of the majority can be imposed on the minority. In Ontario, marketing boards increased in number until they became wide-spread. Their marketing activities

were restricted, even more so than co-operatives, to the stage of primary sale of farm products. Basically, the boards have taken the approach of meeting concentrated buying power with concentrated selling power, which usually means operating in a climate of conflict. Producers supporting marketing boards felt the new sensation of directing their own destiny.

For reasons which we give in Chapter 9, some disillusionment with marketing boards has now set in. The obvious conflict between voluntary co-operatives and compulsory boards has not been resolved in principle although some arrangements have been worked out in practice.

Traditionally, producer, processing and distributing groups have organized themselves "horizontally". By this we mean that people at a particular level or link in the chain from producer through to consumer, have banded together, each group with its own limited outlook. The Ontario agricultural industry stands on the threshold of breakthroughs into new marketing philosophies and institutions. The latest phase of development in marketing systems, evidently, aims to reduce the uncertainties of supply, quality and markets, by "vertical" co-ordination or integration among producers, processors and distributors, and to secure savings by large-scale operations and research. Who benefits most from vertical integration depends mainly upon which group undertakes it. Actually, vertical integration is as old as farming - the early farmer who grew his own seed, raised his own horses, ground his own flour, and prepared his own food was completely integrated.

Farmers are increasingly aware that co-operatives offer an opportunity of undertaking vertical, as well as horizontal, integration in marketing their products. Benefits result when the co-operative processing is done efficiently and ensures a large and steady flow of uniformly good products to cater to the mass merchandising methods of the chains.

Cost-reducing improvements in marketing often go hand in hand with improvements in farming. A farming development contributing to marketing efficiency has been the trend to larger, more specialized farms. The result has been lower assembly costs and less costly sorting in order to obtain the large and uniform supplies required for mass merchandising.

There are other reasons why marketing must keep adjusting. Production areas change. The forms of products change. Transportation changes. Processing and handling change. Urban and rural populations change. Consumer wants change. It is the function of the price mechanism to allocate production and marketing resources in accord with the trends in the pattern of demand described in Chapter 2.

In a general way, the demand for food is set by the size of the population and the level of incomes, but the detailed pattern of food consumption can be influenced by developments in food handling, packaging, preservation, transportation, storage, and promotional techniques. Indeed, advertising has taken on a new psychological dimension - the deliberate appeal to the subconscious in an effort to influence people's purchases.

Finally, there is another subject which we would like to introduce in the present chapter for further discussion later on. This is the prominent trend toward increasing imports of food products into Ontario. Why, we may ask, are Ontario producers losing out in our home markets to imported produce? Is technology outside Ontario far ahead of us? Cannot we improve the varieties and quality grown, cannot we better our processing, packaging, storage and transportation, cannot we strengthen our merchandising, and, in the bargain, cannot we reduce our costs and prices enough to compete with these imports? If we cannot compete in Toronto, then it seems hopeless to try to invade overseas markets like London where we would have to face the up-and-coming competition of a dozen nearby countries, countries that guarantee a continuous flow of uniform, high quality, attractive, popularly packaged and competitively priced products.

Summary

Farmers generally have found the selling of their products to be a risky business. What is needed is a system of marketing that will guide farmers in producing the quantity and quality of products wanted by consumers, that will process and distribute these products efficiently, and that will pay all parties concerned fairly for their contributions.

Chapter 3 deals briefly with the main trends in marketing farm products in Ontario. For further details, please turn to Chapters 7 to 10 and 14.

With rising consumer incomes, the demand for food services has been increasing faster than for food itself.

The Stewart Commission found that, in general, the farm-retail price spread widened, and the farmer's share became smaller, during the decade 1949 to 1958. Two general explanations for these trends were given: (1) Increasing consumer incomes and demand were pulling retail prices up while increasing productivity and supplies were pushing farm prices down. (2) Food marketing services, and the prices for these services, were increasing.

Another trend in food marketing has been mushrooming shopping centres and chain supermarkets catering to mobile shoppers.

The food processing, wholesaling and retailing industries have been becoming more concentrated. In general, increased concentration in food processing and distribution makes it seem more uncertain that there will be active price competition for the farmer's products or that any gains from increased efficiency will be passed back to, or retained by, the producer.

Under these circumstances, it was to be expected that the many small independent producers would band together in some form of collective bargaining. Voluntary co-operative marketing and compulsory board marketing are studied in Chapter 9.

Traditionally, producer, processing and distributing groups have organized themselves "horizontally", with each group facing each other in a climate of conflict. Ontario agriculture stands on the threshold of breakthroughs into new marketing philosophies and institutions. The need is urgent for closer vertical co-ordination among successive links in the chain from producer through to consumer.

Cost-reducing improvements in marketing often go hand in hand with improvements in farming. Agricultural production and marketing must keep changing to keep in step with the changing pattern of demand. As co-ordinator of production and marketing policies, the Ontario government can influence the pattern of development.

Finally, we noted a prominent trend toward increasing imports of food products into Ontario, and asked why Ontario farmers are losing out in our home markets.

CHAPTER 4 - TRENDS IN FARMING

A Financial Post special feature in September 1960 stated that power, forests and mines form the basis of Ontario's wealth. This is increasingly true, and because of Ontario's industrial wealth (the province produces half of Canada's manufactures, for example) it is not generally realized that Ontario is the most important agricultural producing province in Canada. Fifteen years ago, at the end of World War II, Ontario cash farm income accounted for about 27 per cent of Canada's cash farm income, and in 1957-59 it accounted for 31 per cent. Parts of Ontario, particularly the south-western counties north of Lake Erie (see Map 1), are generously endowed with a warm summer climate, fertile soils and favourable topography, and Ontario itself offers large and expanding markets for farm products.

In spite of its large and increasing production, farming in Ontario produced only three per cent of the province's Personal Income in 1959. This share can be compared with seven per cent of provincial Personal Income produced by farming in 1951. We expect farming's share of Ontario's income to recover in the short run from the three per cent level (which reflects very unfavourable price-cost conditions in farming in 1959), but the trend will probably be for farming's share to continue to fall as industry continues to expand. The share of total manufacturing accounted for by food and beverages also will likely continue its gradual decline.

Industrialization and the rapid growth of population, while the farm population has been declining, have reduced the proportion of Ontario people living on farms from 18.6 per cent in 1941 to 12.6 per cent in 1956, and to about 10 per cent in 1961. We also expect this trend to continue, reaching between six and seven per cent by 1980.

The trend in Ontario, as in most other provinces, is toward fewer and larger family farms. (For definitions of farm and family farm, please turn to Chapter 11, where some of the subjects introduced in the present chapter are given further consideration.) In Ontario there also is a trend to contraction of the total land area in agriculture. The contraction of farmland can be traced to industrial expansion - either directly by the transfer of farmland into non-farm uses, or indirectly by the abandonment of farming for more rewarding employment.

According to the Census, Ontario had 178,204 farms in 1941 averaging 126 acres in area, in 1956 there were 140,602 farms averaging 141 acres. (Fifty years ago, in 1911, there were 212,106 farms in Ontario averaging 104.5 acres in area.) We expect the trend to fewer and larger farms to continue for at least the next two decades. We expect about 115,000 farms (25,000 fewer) in Ontario by 1980 than in 1956, and we expect the average acreage per farm to increase from 141 in 1956 to about 158 in 1980.

We anticipate that the decrease in number of farms and increase in farm size will be due mainly to the abandonment of small submarginal farms and to the consolidation of farms. Some farmland also will be diverted to residential and industrial purposes, highways, airports, etc., but this will not account for a large part of the shrinkage, although the quality and location of this land may be above average. The amount of completely new land brought under cultivation will likely be negligible, but the improvement (clearing and draining) of land in the more intensive farming districts of South-western Ontario will be substantial. The net effect for Ontario as a whole, however, will likely be a decrease in farmland between 1956 and 1980 of over a million and a half acres. This forecast of decrease in farmland reflects a slowing up of the rapid decrease of the last fifteen years which was facilitated by the reduced need of cropland for producing feed for horses.

The trends in the main size groups of farms tell a similar story. We expect

the decrease in number of farms in the one to ten acre group to slacken as mounting population density increases the opportunities for small but very intensive truck and orchard farming. We expect a large decrease in the number of farms in the 11 to 400 acres group, due to abandonment of submarginal units and consolidation of some farms. We expect a substantial increase in the small number of farms with more than 400 acres.

Total farm area and area under cultivated crops are declining but the area in pasture is increasing, reflecting the increased emphasis on live stock farming and the importation of Western feed grains under federal freight subsidy. Between a fifth and a quarter of feed grain fed in Ontario is from the West. Ontario conditions favour forage over grain production (except for corn), in contrast with Western Canada, and the demand for live stock products has been rising rapidly.

There is no cause for alarm in the shrinking farmland area - the land that is going out of production is mostly submarginal at the present time. Even in the United States, in spite of its vast and increasing population, food surpluses are being produced on a shrinking farmland base.

What is happening in Ontario is that cultivation is gradually converging on the better land (richer soil, warmer climate, and better market locations), and this better land is being farmed more intensively. The yields per acre of various crops have been increasing in the last two decades. Ontario uses about one-half of the fertilizer used in Canada, and our fertilizer use is increasing at the rate of about 20,000 tons per year, or an average annual rate of 6.5 per cent. The increase in use of fertilizer is especially rapid in the cash crop areas of South-western Ontario. The increased use of irrigation, drainage, insecticides, fungicides, and chemical weeding also indicates intensification in land use.

There has been a trend to heavier, but more efficient, feeding of live stock. An increasing proportion of Ontario's increasing milk production is for fluid purposes. In postwar years, milk production per cow in Ontario has been increasing at the rate of about 75 pounds per year, reaching 6,107 pounds in 1959. Because milk production per cow has been increasing at a faster rate than milk consumption, the long-run trend in dairy cattle numbers has been downward. The decrease in dairy cattle has been more than offset, however, by increases in beef cattle numbers. According to the Beef Producers' Association of Ontario there is an increasing demand for grain-fed beef. Feeding is becoming a large feedlot operation. Poultry numbers (both for eggs and meat) also have been increasing, with the rate of increase being fastest for turkeys. Egg production per hen has increased from 153 in 1947 to 191 in 1957. There is no obvious trend upward or downward in hog numbers, but sheep and lamb numbers have been declining.

In general, more live stock, machinery and fertilizer are being combined with the better land in Ontario to produce more and better food than ever before for a growing population. About 20 years ago, one worker in Canadian agriculture provided enough food for himself and 9 other people; now he produces enough for himself and 22 other people. This is why it is said that farming is undergoing a "technological revolution", meaning the rapid application of the findings of science.

The trend to contraction of farmland applies in three of the five major districts of Ontario (Central and Eastern shown in Map 1, and Northern shown in Map 2 in Chapter 12). A substantial amount of farmland in these districts was and is submarginal because of small and remote farms located on rocky, hilly and infertile soil. The high abandonment areas in Central, Eastern and Northern Ontario are sparsely settled, improved areas per farm are small, farm incomes and values are low. Trial and error settlement in early years was excusable, but now, with accumulated experience and scientific knowledge about soils, climate, topography and markets, settlement promotion policy in these districts has largely lapsed. Modern demands for community services (roads,

schools, hospitals, churches, etc.) have made public costs of land settlement prohibitive in all but the more productive parts of the province.

Between 1951 and 1956, the acreage of improved land increased significantly in the intensive Southern Ontario district (comprising the two rows of counties north of Lake Erie - Brant, Elgin, Essex, Haldimand, Kent, Lambton, Lincoln, Middlesex, Norfolk, Oxford, Welland and Wentworth), and only decreased slightly in the nearly-as-intensive district of Western Ontario (Bruce, Dufferin, Grey, Halton, Huron, Peel, Perth, Simcoe, Waterloo and Wellington counties). The main farm products in South-western Ontario are live stock and special cash crops. Live stock farming, a tradition for farmers in this area, is important because the soil and climate are well suited to growing forage, and because of the close location to Georgian Bay and lake ports for the "importation" of Western feed grains. The Ontario Food Processors informed us at the public hearings that processors like to locate where crop yields are highest and product quality is best, even if the area is one where labour is expensive. They said it is more economical, and there is less bookkeeping, scheduling of deliveries, better container policy, etc. For such reasons, we expect the area of improved farmland to increase in South-western Ontario by 1980, both in total acreage and per farm.

Trends in farm tenure are difficult to predict. So far, the trend to larger farms has not introduced any radical changes in the family farm form of ownership and organization. In 1956, 83.2 per cent of Ontario farms were owner-operated, 10.5 per cent were part owner-part tenant operated, 4.6 per cent were tenant-operated, and 1.7 per cent were manager-operated. We expect a small decrease in the proportion of owner-operated farms to about 80 per cent, an increase in manager-operated farms to about three per cent, and an increase in the proportion of part owner-part tenant operated farms to about 12.5 per cent, and little or no change in the proportion of tenant-operated farms.

These are Census categories of farm tenure, however, and they give an exaggerated impression of the degree of independence exercised by farmers in the management of their farms. Management is being shared more with farming sons. In order to counteract attractive off-farm opportunities for their sons, and to facilitate a gradual and orderly transfer of ownership and management of increasingly expensive farm businesses to them, farmers have been resorting increasingly to more or less formal "father-and-son" agreements. There are also various off-farm interests which may share to a greater or less extent, temporarily or otherwise, in the management of the farm. These interests include creditors (such as government lenders and commercial banks), contractors (such as processors), and farm management advisers (government or commercial). Because of soaring farm capital requirements, rapid advances in science and technology, and increasing demands of buyers for quality control and regular supply, we expect to see an increase in coming years in the amount of off-farm participation in farm management. If production controls (examined in Chapter 11) were to be introduced, this increase would be rapid and pervasive.

In 1956, the average capital value of Ontario farms (everything included) was \$19,487. The investment per farm is on an upward trend. The proportions of the farm value represented by live stock and land are declining while the proportion represented by implements and machinery is increasing. In 1958-59 the value of live stock and machinery each accounted for about 18.5 per cent of total farm value and land and buildings accounted for the remaining 63 per cent. The trends toward mechanization and larger farms are closely related. Labour saving is a key consideration in successful farming, and in fact, farming has registered rates of gain in labour productivity greater than in other industries. As the Ontario Farm Union Brief expressed it, mechanization is a necessity as well as a choice. Labour costs tend to be lower per unit of product when the labour is combined with larger machines and acreages. The investment cost in machinery is heavy and in order to operate the machinery at low cost per unit of product, the volume of product has to be large. With tractor power and related field implements, the ideal number of acres tends to be considerably larger than for horse power. The larger farms tend to have more

machinery and more up-to-date machinery.

Since World War II, the value of farm implements and machinery in Ontario increased over three times as fast as the value of farmland and buildings and almost four and a half times as fast as live stock. Farmers prospered during the war and immediate postwar years and had the money to invest in machinery when labour became unavailable except in close competition with industrial wage levels.

Indicators of the rapid increase in labour-saving machinery are: tractors, which increased from 35,460 in 1941 to 136,062 in 1956; grain combines, which increased from 796 in 1941 to 16,644 in 1956; and motor trucks, which increased from 17,537 in 1941 to 58,041 in 1956. There was also a rapid increase in milking machines, power barn cleaners, mechanical feeders etc. About 89 per cent of Ontario farms had electric power in 1956, and we expect this figure to be close to 100 per cent by 1980. Unfortunately, the foregoing figures fail to indicate the many improvements that have taken place in the quality and performance of farm machinery.

The regional competitiveness of Ontario agriculture hinges upon the utmost use of the latest technology. The initial benefits of applied technology go to the first farmers to adjust, and the long-run benefits go mainly to the general public in the form of lower prices.

In recent years, net farm income in Ontario has varied above and below a level of approximately \$330 million or about \$2,350 per farm. (In peak years 1951 and 1952, the comparable figure of net income per farm was about \$3,030.) This is the amount left over, on a rough average, for farm family living - for a family of four or five counting mother and father. It represents the return for farm family labour, management and investment. The figure is an average of all farms, only 81 per cent of which were classed as "commercial" in 1956 (with a value of production of \$1,200 or more).

The average net income figure conceals a good deal. There were more than 26,000 Ontario farms in 1956 with a value of production of less than \$1,200. Some of these farmers earned substantial off-farm income, so that it is misleading to list them as farmers when they are really rural residents. Many of these non-commercial farms are submarginal, however, and we expect most of this group to have disappeared by 1980. In other words, we expect the proportion of "commercial" farmers to increase substantially by 1980.

Even if attention is confined to production on commercial farms, there is considerable inequality in performance. In 1950, for example, the value of production of the top 7 per cent of commercial farms accounted for 28.5 per cent of the value of production of all commercial farms, and over half of the total value of commercial production was produced by one-quarter of the commercial farms. Some of these commercial farmers are very capable and efficient managers, and are earning a good living for their families.

The labour force in Ontario agriculture has declined by about 41 per cent since World War II at the same time as output increased by about 35 per cent. The output per worker therefore has increased rapidly - our estimate is 130 per cent since World War II. Over the same period, cash farm income per worker in terms of farm living increased by about 68 per cent and net farm income per worker in terms of farm living increased by 31 per cent.

The fact that cash income per worker increased by a larger per cent than net income per worker reflects the trend to off-farm purchase of more farming needs, and indicates that the prices of things used in farming (power machinery, building materials, petroleum products, feed, fertilizer, pesticides and fungicides, wages, seed, etc.) increased faster than the prices of farm products. The latter point was often mentioned at our public hearings, and is commonly referred to as the "price-cost squeeze", to which we return in Chapter 11. In spite of the price-cost squeeze (some people would say "because of it") total production continued to increase. The outflow of land and labour from farming was not fast enough to offset the inflow of machinery, technology,

live stock, etc. and so there resulted an increase in productivity per man and per acre.

The tendency to increase production has led some people to propose that production be controlled. Production control has also been proposed as a means of stabilizing wasteful fluctuations. Some farm commodities, notably pork and beef, are subject to recurrent waves or cycles of over-production and under-production which cause recurrent price swings in the opposite direction.

The abandonment of some farms, the introduction of labour-saving machinery on other farms, and the sheer inability of many farms to earn enough income to offer hired help working hours and wages comparable with industry, have caused the rapid reduction in farm labour force. Comparing the June figures for 1950 and 1960, there was a drop of about 38 per cent in the number of persons with farming jobs in Ontario. Mechanization has speeded up the seeding and harvesting operations and reduced the period of time for which seasonal labour is required. The increase in beef cattle farming reflects, in part, a conscious shift to a less labour-intensive operation. Since the decrease in farm labour force has been fastest in the hired help and unpaid family labour categories, the farm labour force now consists mainly of farm operators.

Along with the shift to a more commercial and intensive agriculture, there is a trend away from general, mixed or diversified farming in Ontario toward specialization. This increasing specialization takes several forms. We have already mentioned the gradual convergence of farming upon the south-western region of the province - this is regional specialization. There is also a tendency for farmers to concentrate on fewer enterprises, or single enterprises, or even on particular phases of single enterprises. This is product specialization. Since risk is a cost of doing business, specialization is to be expected as scientific advance makes farmers less at the mercy of weather and disease, as technological and mechanical advances become increasingly specific in management requirements, and as markets increasingly demand better quality as well as larger and more regular supplies. Pressures from within and without the farm build up to draw the farmer into more specialized and larger-scale operations. A minimum, profitable, one-man broiler operation is said to be about 20,000 birds, four times a year. The trend to larger and more specialized operations applies even to beekeeping - the Beekeepers' Association informed us that the larger honey producers are getting still larger, that 700 colonies are now needed by a specialized operator to earn a decent living.

The rate of decrease in number of farms reporting certain farm enterprises has been most rapid among the smaller farms, and it has exceeded the rate of decrease in total number of farms, thus indicating a tendency toward greater specialization. The number of larger farms producing certain products, for example, grain corn and dairying, has increased.

Specialized farmers are more market oriented, not only with respect to selling their products but also with respect to buying the numerous products which they need for farming and living. The family team where one member specializes in production and another in sales has advantages. Many formerly farm jobs have been shifted off the farm altogether. Newspapers, magazines, radio, television, improved roads and automobiles, and more market information have all contributed to breaking down the social and economic isolation of farm people.

Adjustment in farming, as in marketing, is not a once-for-all process, but rather is continuous as conditions continue to change with the passing of time. The technological revolution in farming has by no means run its course. Changes will continue to be many and varied with rewards to those farmers who adjust quickly and frustration to those who do not. Farmers who were doing well ten years ago but who have not adjusted their methods since are in trouble today, and farmers who are doing well today will be in trouble ten years from now if they fail to adjust in the meantime.

In Chapter 2, we estimated the consumption per person in Ontario of various foods and tobacco in 1958, and forecast consumption per person in 1980. In Chapter 14, we estimate in what foods Ontario is in a deficit or "surplus" position. Although there are some important exceptions, Ontario consumes more than it produces of most items which loom large in the food budget.

Summary

It is not generally realized that Ontario is the most important agricultural producing province in Canada. Parts of Ontario, particularly the south-western counties north of Lake Erie, are generously endowed with a warm summer climate, fertile soils and favourable topography, and Ontario itself offers large and expanding markets for farm products.

Industrialization and the rapid growth of population, while the farm population has been declining, have reduced the proportion of Ontario people living on farms to about 10 per cent in 1961. The trend in Ontario, as in most other provinces, is toward fewer, larger and more specialized family farms.

Cultivation is gradually converging on the better land and this better land is being farmed more intensively. In general, more live stock, machinery and fertilizer are being combined with better land to produce more and better food for a growing population.

The competitiveness of Ontario agriculture hinges upon the utmost use of the latest technology. The initial benefits go mainly to the first farmers to adjust, and the long-run benefits go mainly to the general public in the form of lower prices.

Even if attention is confined to the so-called commercial farms, there is considerable inequality in incomes. In addition, there are many thousands of non-commercial farms with very low incomes. On the average, farm incomes in Ontario are well below non-farm incomes.

Continuing economic change and increasing research mean that the technological revolution in farming has by no means run its course. Thousands of Ontario farmers are being rendered obsolete and surplus every year. Farmers who were doing well a few years ago, but who have failed to adjust their methods since, are in trouble today, and farmers who are doing well today will be in trouble a few years from now if they fail to adjust in the meantime. The problem is how to help farmers to adjust and how to help out farmers who fail to adjust.

CHAPTER 5 - THE CENTRAL PROBLEM AND REMEDY EMERGE

In the preceding chapters on trends in demand, marketing and farming, several problems have been exposed. The fact that some of these problems are not peculiar to agriculture does not make them unreal. We list these problems again in the present chapter, one at a time, and then try to show that a common factor underlies the group of problems which can be called the essential or central problem. In the process of isolating the central problem the central remedy also emerges.

In the long run, consumer tastes change (with rising incomes and for other reasons) and nutritional sources shift. We have indicated in Chapter 2 the main shifts that may be expected in the pattern of food consumption per person in Ontario during the next two decades. Unless agriculture takes this into account, in planning where to push expansion and where not to, it will become increasingly maladjusted. Insufficient guidance has been given to agriculture in this respect in the past. Because of population growth in Ontario, and because Ontario already consumes more of most important farm products than it produces, this matter of adjusting the pattern of production to the changing pattern of consumption is not the central problem but it is a key component of the central remedy.

General prosperity in the economy does not guarantee prosperity for agriculture, but prosperity for agriculture is unlikely without general prosperity. Extreme fluctuations in employment, consumer buying and business investment therefore are a menace to agriculture. The structural adjustments that are underway and on the way in agriculture are so much less painful when the economy is steadily expanding. This is extremely important, but it is not a central problem because the demand for farm products in Ontario has remained active and expansive.

The demand for food as a whole, and for some particular foods, tends to be inelastic with respect to price, which can cause price instability in commodity markets. This applies to markets in general, however, and is less valid for Ontario producers of particular food products, the demand for which is more elastic. The inelastic demand argument therefore cannot justify Ontario producers pursuing inflexible commodity pricing policies, in the sense that it is seldom in their own self-interest to do so. It is usually in the interest of Ontario producers to actively compete in price and quality with rival sources of supply in Ontario markets, in which our producers have the distinct advantage of a short haul. Some price flexibility is required to allocate resources according to the changing pattern of demand and advancing technology. Within this forward-looking competitive context, unchanging prices would be a liability. This does not dismiss unstable prices as a problem in Ontario agriculture, but it is not the central problem.

The production of hogs and cattle, as shown in Chapter 8, has long been subject to cyclical swings in marketings and price. In spite of the fact that a good deal has been known about the nature of these commodity cycles, very little has been done by the industry to moderate them. These ups and downs are very wasteful and costly, and do no one in the industry any good. They should be attacked in concert by all groups involved in the production and marketing of hogs and cattle, with initiative and statistical leadership provided by the provincial and federal governments. Live stock cycles are a problem, but they are not a general agricultural problem and are certainly not the central problem.

The amount and quality of farm production in the past has depended more or less passively upon unpredictable natural conditions such as weather, disease, etc. With the remarkable advance of agricultural science and technology in recent years, however, numerous ways have become available to farmers to make them less at the mercy of the whims of nature, and to enable them to improve

and control the quality of their products. Only a minority of farmers have been able or willing to make the substantial adjustments in their ways of doing things required by the new technology. The adjustments sometimes require a considerable initial investment, and they always require a flexible, forward-looking mentality and superior farm management. Some farmers may be reluctant to specialize because it would heighten their feeling of insecurity. Weather and disease are a problem in Ontario agriculture, but these are not the central problem. The lukewarm interest of Ontario farmers in crop insurance supports this contention.

The technological revolution underway in agriculture has been rendering superfluous many small farmers and some farmland, and places a premium on better farm management. The incomes of small farms in particular are becoming progressively precarious and are falling farther and farther behind the bigger, better-managed farms, and behind some other sectors of the economy. More machinery and live stock are being substituted for labour and land. Adjustment may mean not only substituting more of certain goods and services used in farming for less of others, but it may mean shifting from producing one product to another, or specializing in some product, or expanding the scale of operation by consolidation, perhaps, or it may mean moving from one farm to another.

Adjustment sometimes calls for leaving farming altogether - this is the culling process of technological change. Since nothing can impede these basic adjustments for long, farm people deserve to be told the truth by the people whom they trust. The obligation of all interested parties then is to facilitate an orderly out-migration. A much better understanding is needed of what technology is doing for and to people in order to avoid heavy-handed measures and drastic dislocations. We are approaching the central problem at this point, but it is wrong to think of it in terms of "maintaining the family farm" because in twenty years we will still have tens of thousands of family farms in Ontario. In all probability farms will hire less labour than they do now - serfdom in farming is not in sight.

The traditional attitude to family farming requires revision. This attitude has defined the "family farm" in terms of the physical and mental effort contributed to it by the farmer and his family. This places the contribution of humans on a par with that of land and capital and is at least 100 years out of date. The family farm should primarily be defined in terms of its ability to provide a decent living for the farm family. If one were to class as family farms all those units which are so remote from suitable climate and markets, and are so infertile, hilly and rocky, and are so poorly managed, that they cannot possibly earn a level of living for the family that is acceptable by today's standards, then family farming could not be a worthy goal for society. For example, few of the 26,000 Ontario farms with a value of production in 1956 of less than \$1,200 can reasonably be classed as family farms. Nor can many of the 25,000 farms, which we are predicting will disappear by 1980, qualify as family farms.

"Agriculture" today comprises the processors and buyers of farm products, and the makers and sellers of farm machinery and supplies, as well as farmers, farm organizations and certain branches of government. These groups are all part of the agricultural industry (sometimes referred to as "agribusiness"), and it is time to stop thinking of "agriculture" and "farming" as the same thing. Family farms are not disappearing but they are becoming fewer and larger and more specialized - and so are farm suppliers and the buyers of farm products. More and more farming functions are being transferred off the farm, either to the supplying or buying branches of the industry. There are about two people involved in agriculture off the farm for every one on.

With fewer and larger business units at all levels of the agricultural industry, it becomes feasible to reduce the various uncertainties and complexities that existed when many thousands of independent decision-making units existed. A closer managerial and financial co-ordination of the supplying,

farming and marketing sectors of the agriculture industry is taking place and will probably continue at an accelerated pace. The focal point of meshing, gearing or integrating the efforts and activity of all three sectors is to supply a steady, high-volume flow of uniform quality produce for mass distribution at retail. In its simplest terms, this means producing for an expanding mass market at home. Increasing our share of the expanding Ontario market and restricting our production are mutually incompatible policies. It is important that Ontario's position be understood not only within the province but in the other provinces as well.

Agricultural exports are not of major importance to Ontario agriculture. In most foods, Ontario is in a deficit position and it makes sense to produce for this home market first. Surpluses and exports are not the central problem, although for a few of our farm products export sales are important at the present time. The fact that these export markets have a doubtful future as far as our high-cost, dollar products are concerned injects additional uncertainty into the agricultural situation. We should be prepared for the possibility of having to switch some of our export sales back to home markets, where we have been increasing our imports anyway.

A "policy" is a plan of action. Government policy is crucial in farm policy because governments have both the legal and fiscal power to carry out policy. Current agricultural policies and programs, both of government and farm organizations, are confused and conflicting. Some are forward-looking, but many are futile rear-guard actions, desperately resisting the inevitable or drifting aimlessly. Few farm policies have come to terms with the structural adjustments that are transforming the agricultural industry before our eyes. What this really means is that no long-range policy exists for agriculture at present. Is it little wonder, therefore, that confusion, insecurity, and frustration are wide-spread throughout the industry, especially at the farming level where thousands of farmers have no occupational future in farming because they have become obsolete? The research base under farm policies is in great need of strengthening, and we should be prepared for results from this which are sometimes unpalatable politically. We commend current efforts in Canada to set up an independent agricultural economics research institute.

There are several other causes or kinds of uncertainty in the agricultural industry. But enough has been said so far to convince us that the underlying problem common to all, or almost all, of these many problems is INSECURITY, and that the basic solution to all, or almost all, of these problems is ADJUSTMENT. The basic or central problem and remedy are very complex, of course, as we have already indicated, and as we proceed to demonstrate in Part II of the Report. The central problem and the central remedy are human as well as economic in nature, and all sectors of the agricultural industry in Ontario are somehow involved.

The costliest mistake in human terms that could be made would be to believe that an easier, quicker and cheaper remedy than adjustment can be found to the deep-seated and pervasive problem of agricultural insecurity. Neither collective bargaining power for producers nor price support program can cure the problem of obsolete farms and submarginal farmland in Ontario, or solve the problem of capturing a larger share of the Ontario market. Collective producer marketing power is effective in raising product prices only when there are no close substitutes or competing sources of supply, which is not usually the case with Ontario farm products. Marketing boards can stabilize and streamline marketing and return part of the resulting gains to the producers. Price supports are useful only for moderating short-run instability and cannot cure, but can aggravate, long-run maladjustments. Tariffs offer temporary protection only. These and various other proposals which might help to solve agriculture's problem are discussed in Part II. To suggest that any one of these is a cure, however, only compounds the insecurity by building up false hopes within the industry.

In other words, the biggest adjustment of all is required in our mental approach or attitude to the agricultural problem. The history of nations shows that the wealthiest countries and those with the most prosperous farmers are the ones with a small proportion of their people in farming. The first claim of people upon resources is for food, but progress would be impossible if food production could not be increased faster than needed and thereby release some people for a variety of other activities.

The only significant and chronic surplus being produced in Ontario agriculture is farm people. Surplus farm people, like surplus coal miners, fishermen, and other technologically displaced persons, are entitled to a measure of security but not necessarily in the occupation of their choice. A shift in government thinking is urgently needed with much more emphasis and aid to help these surplus people adjust out of farming. The insecurity of these surplus people would be lessened by open recognition all around that they are surplus, and then get on with the social welfare task of helping them. The real trouble here is that our social engineering has failed miserably to keep pace with agricultural technology.

New jobs and productive new lives for these people will not necessarily be found in large cities. Rural Development is a new step in the right direction. As far as Ontario is concerned, its participation in Rural Development should be broadly conceived and form part of the Agricultural (Production and Marketing) Adjustment Act which we are proposing as the legal and philosophical embodiment of the Enquiry Committee's key recommendations. We have much to say later about key production and marketing phases of this proposed Adjustment Act.

Agricultural insecurity is caused not by change alone but by unexpected change, past, present and future - in the farm supply sector, in farming itself, and in farm marketing. Co-ordination or integration between these major sectors is the business method of rapidly accomplishing the adjustments required by mass retailing of food. If farming in Ontario fails to adjust, then our food will increasingly come from outside the province, and our farming will gradually wither and disappear. If, instead, farming in Ontario accelerates its present rate of adjustment, then it will supply an increasing share of a rapidly expanding home market, and agriculture will develop in sturdy and prosperous balance with the growth of the other sectors of the economy.

What is needed in commercial agriculture in Ontario is continuous adjustment, guided wherever possible by market research, and aided wherever needed by government, in order to integrate farming more smoothly with general economic development and to enable farming to produce in conformity with changing market patterns. Prosperity will continue to elude producers who rely on hit-and-miss marketing. What is called for is more and better production from fewer and larger farms.

The market opportunities facing Ontario agriculture are remarkably favourable. Realizing this potential is not inevitable however - it seems to us that Ontario agriculture is in a position today where it could move in either direction. We are suggesting that it should mount an offensive. We would like to see it close its ranks and advance with confident and fruitful collaboration into our inviting markets. It has been said that the future belongs to those who prepare for it - we would add that never before has the future been so close to Ontario farmers as it is now.

Adjustment is the theme threading through most of our recommendations in Part II. Because of the large number of these recommendations, and the specific nature of them, it would be easy to lose track of the central problem and its central remedy. This is why we have devoted the present chapter to them and the next chapter to our guiding principles.

Summary

In the preceding chapters on trends in demand, marketing, and farming several problems were exposed.

In the long run, consumer tastes change (with rising incomes and for other reasons) and nutritional sources shift. Unless Ontario agriculture takes account of these shifts, in planning where to push expansion and where not to, it will become increasingly maladjusted.

The demand for particular Ontario farm products is more elastic than for food in general. It is usually in the interest of Ontario producers therefore to actively compete in price and quality with rival sources of supply in Ontario markets, in which our producers have the distinct advantage of a short haul.

With the remarkable advance of agricultural science and technology in recent years, numerous ways have become available to farmers to make them less at the mercy of the whims of nature than formerly, and to enable them to improve and control the quality of their products. Only a minority of farmers has been able or willing, however, to make the substantial adjustments in their ways of doing things required by the new technology. Adjustment sometimes calls for leaving farming altogether - this is the culling process of technological change.

Family farms are not disappearing, but they are becoming fewer and larger and more specialized - and so are farm suppliers and the buyers of farm products. With fewer and larger business units at all levels of the agricultural industry, it becomes feasible to reduce the various uncertainties and complexities that existed when many thousands of independent decision-making units existed. A closer managerial and financial co-ordination of the supplying, farming and marketing sectors of the agricultural industry is taking place and will probably continue at an accelerated pace. Prosperity will elude producers who rely on hit-and-miss marketing.

We find that agricultural policies, both of government and farm organizations, are confused and conflicting. Some are forward-looking but many are futile rear-guard actions, desperately resisting the inevitable or drifting aimlessly.

We have become convinced that the underlying problem common to almost all major farm problems is INSECURITY, and that the basic solution to almost all of these problems is ADJUSTMENT. The basic or central problem and remedy are very complex, as we demonstrate in Part II of the Report. The central problem and the central remedy are human as well as economic in nature, and all sectors of the agricultural industry in Ontario are somehow involved.

CHAPTER 6 - OUR GUIDING PRINCIPLES

The Enquiry Committee undertook a thorough program of research. Nevertheless, findings and recommendations upon difficult and controversial subjects of the kind under examination must be based in some degree upon the joint opinion or value judgment of the Committee. It could not be otherwise in the nature of our assignment.

We became convinced at an early stage, therefore, that we would need to agree among ourselves upon a set of general principles for guiding our judgments on specific issues. We feel that we owe it to our readers to set these guiding principles down to help show how we have reached various conclusions and recommendations in our Report.

We present our guiding principles, realizing that we face the risk of disagreement with our readers upon fundamental beliefs. No doubt some people would express certain of the principles differently, and other people would omit some of the principles and add others. But at least we will not be guilty of confusing or misleading people by arguing from basic beliefs that are not apparent to them. The lack of well-defined objectives for agriculture is prevalent throughout the industry and has contributed substantially to the general insecurity.

There is no special significance in the order of presentation of these guiding principles; indeed, we have not been able to reach complete agreement among ourselves as to the proper order of priority. They have aided us, however, in resolving most of our differences of opinion on particular issues.

1. It cannot be assumed that what is good for Canadian agriculture as a whole, or for the agriculture of another province, is automatically or always good for Ontario agriculture. We were appointed by the Ontario government to study ways of improving the welfare of the agricultural industry in Ontario, and we have kept this in mind. This is the guiding principle of relevancy.

2. We would like to state our belief that no magic formula can be found that will solve Ontario agriculture's problems once-and-for-all. The situation is changing far too fast for that. Changes have been many and demanding in the last 20 years, and we expect that the next 20 years will be no less so. This is the principle of the need for continuous study.

3. The so-called "farm problem", in our judgment, does not arise entirely within agriculture but is, in part, the result of economic development - the growing-pains of an expanding economy. The farm problem is affected by the actions of industry, labour and governments. Agriculture is not just farming. The farm problem is, therefore, not entirely a farmer problem or a problem for farmers. We believe that it would help to clarify and to solve the farm problem if a long-range policy and program could be drawn up for agriculture, based on agriculture's role in the economy. This is the principle of economic interdependence.

4. Providing that the other sectors of the economy accept their shares of responsibility, farmers have the responsibility, insofar as they have the power, of putting their own house in order. This is the principle of self-help.

5. The farm population is a diminishing minority, and no farm program would be acceptable or desirable which harmed society as a whole. Nevertheless, minority rights are a well-established principle of democracy, and so we believe that government has the responsibility for cushioning painful agricultural adjustments. This applies to minority groups within agriculture as well as to agriculture's minority position within the economy. This is the principle of minority rights.

6. In view of the fact that a large number of small farmers usually face a small number of large buyers of their products and sellers of farm supplies, there is no doubt in our minds that these farmers usually need some form of collective action in order to function as an effective countervailing power. This is the principle of collective action.

7. Governments have the responsibility of continuous scrutiny, in the public interest, of the actions of any group to whom special powers have been delegated or otherwise acquired. This is the principle of governmental responsibility for delegated powers.

8. Differences of interest between producers and consumers are bound to crop up. Governments are paying increasing attention to the viewpoints of consumers. We believe that the ultimate purpose of production is to satisfy consumer wants. The intensities of these wants are usually indicated by the amount of money that consumers are willing to pay for their satisfaction. This is the principle of consumer sovereignty.

9. We believe that, in satisfying the wants of consumers, the economical use of scarce resources is an important guiding principle. This is the principle of efficiency.

10. Efficiency requires adjustment to changing trends, but it is hindered by violent swings in prices and production. A marketing system and market forces that cause, or permit, such severe shocks are destructive of morale and welfare. This is the principle of stability.

11. What happens to agriculture in Ontario is determined in part by agricultural developments in the other provinces as well as in the United States and elsewhere in the world. This is the principle of regional interdependence.

12. Family farming can be economically sound, and is socially desirable provided it enables the farm family to earn an acceptable level of living. This is the principle of family farming.

13. The unmistakable trend is toward fewer and larger family farms. It is a responsibility of governments to see that the economic climate is favourable to the gainful employment of the farm of surplus farm people. We use the word "gainful" in the sense of rewarding and responsible. This is the principle of full employment.

14. We believe that it cannot be in the interest of society for a large group like the farm sector to be living under a chronic income disadvantage. This is the principle of social equity.

15. We believe that many improvements in agricultural production and marketing are possible that would be of mutual benefit to the producing, processing, marketing and consuming sectors of the industry. This is the principle of harmony of interests.

16. A maximum amount of freedom of individual action is desirable, consistent with safeguarding the freedom and rights of other people. In practice, the interpretation of this principle is not easy because "freedom" means different things to different people. Nevertheless, we believe in the principle of individual freedom.

Summary

We became convinced at an early stage of our work that we would need to agree among ourselves upon a set of general principles for guiding our judgments on specific issues. We have set these guiding principles down, along with brief explanations, in Chapter 6 to help show our readers how we have reached various conclusions and recommendations in our Report.

Our guiding principles, in summary form, are:

1. Relevancy.
2. Need for continuous study.
3. Economic interdependence.
4. Self-help.
5. Minority rights.
6. Collective action.
7. Government responsibility for delegated powers.
8. Consumer sovereignty.
9. Efficiency.
10. Stability.
11. Regional interdependence.
12. Family farming.
13. Full employment.
14. Social equity.
15. Harmony of interests.
16. Individual freedom.

PART II - COMPONENTS OF THE PROBLEM

CHAPTER 7 - MARKETING FUNCTIONS AND AIDS

Most of what is produced on Ontario farms is consumed within the province. Ontario farmers have the advantage of a short haul to a large and expanding home market. Ontario farm products are encountering stiff competition in the home, as well as export market, however. The reader is referred to Chapter 14 for a discussion of the inter-regional competitiveness of Ontario agriculture.

A critical examination of the kinds and quality of Ontario farm products is required in the light of changing consumer wants and marketing methods. In the present chapter, after a few introductory remarks about the nature and functions of marketing, we attempt to appraise by main product groups the key aids to marketing: research, product improvement, quality control, storage, processing, packaging and handling.

A - Nature of Marketing

If we begin by accepting the popular viewpoint that the satisfaction of consumer wants is the purpose of economic activity, and if we also agree that production involves transforming resources into forms suitable for consumption, then we can say for a beginning that "marketing" is the in-between activity of getting goods and services from the producer through to the consumer - to those people who want them, where they want them, and when they want them. In short, "marketing" refers to the activities involved in the flow of goods and services from producers to consumers.

There was a time when people provided for their own wants. With the advance of commerce, marketing was carried on increasingly by specialized agencies. This specialization never became complete, however, being limited by the extent of the market. Even today, producers and processors, and even consumers themselves, often perform some marketing services.

More careful consideration of production and marketing reveals that these two activities have much in common, indeed in certain fundamental respects they are the same. No doubt that is why we were asked to deal with both of these subjects in our Report. As soon as a farmer pauses to ask "What product should I produce?", he is involved in marketing. In the dynamic economy in which we live, production and marketing decisions and problems are inseparable. Not only has the farmer to solve the problem of what to produce, but also how to prepare it for market, where to sell, and when to sell.

We do not mean to suggest that conflicts of interest do not exist in marketing. On the contrary, as can be illustrated in the case of food, the producer and consumer draw very different conclusions from a conviction about food which they hold in common - that food is vital. The producer concludes that a producer of such a vital commodity should be assured of "fair" prices. The consumer concludes, however, that such a vital item as food should be of good quality and "cheap". Such differences in viewpoint are not confined to farm products, of course.

Certain characteristics of farm products complicate their marketing, characteristics like perishability, and unpredictable variations in quantity, quality and cost of production. Stability therefore becomes a key consideration in agricultural marketing in addition to efficiency in satisfying consumer wants.

B - Functions of Marketing

We have found it helpful to think of the functions of agricultural marketing as: buying (including assembling) and selling (including merchandising); transporting through space as well as time (storage); and transforming (processing). In this broad sense, marketing accounts for over half of the consumer's

food dollar. This share has been increasing because the demand for food marketing services increases faster as incomes rise than the demand for food itself. Evidently, marketing involves human behaviour as well as technology, with both of these having economic significance.

The actual changing hands of the products while moving along marketing channels may also involve a transfer of legal ownership at a certain price. Then it becomes an act of exchange, that is buying and selling. The transfer of ownership requires financing, and ownership itself involves financial risks. The organizing or assembling of products may be associated with buying or selling.

The physical movement of transporting products through the various stages from the producer to the consumer satisfies the need of consumers that the goods be in the right place for their consumption. As the products move forward from the producer, the costs of transportation at the various stages accumulate until they become one of the more important components of the retail price.

As the products move from the producer through to the consumer, they usually are changed in some physical way, either in form by processing, or in time by storage. These changes in form and time (if consumer wants have been gauged correctly) add market value to the products. Apart from the risks of physical deterioration, the price uncertainties of moving commodities through time are usually greater than in transporting them from place to place.

C - Aids to Marketing

To facilitate the profitable performance of the primary marketing functions, there are available to agricultural marketing several auxiliary tools or aids, such as research, marketing information, product improvement and quality control, refrigeration, materials handling, packaging, progressive business practice, business integration, credit, consumer preference studies, and advertising. Aids to marketing are discussed in this chapter under three product group headings - dairy products; meats, poultry and eggs; and fruits and vegetables. (With respect to grains, we merely point out that a special committee was appointed in 1960 to study grain marketing in Ontario.)

Since marketing costs account for over half of the retail price of a basket of food, efficiency in marketing is at least as important as efficiency in production. Firms engaged in processing and distributing farm products have been expanding their research into the improvement and control of quality, the development of new products, market potentials and consumer preferences.

In comparison with production research, research on agricultural marketing has almost been neglected by governments. This complaint was made to us repeatedly by various groups at the public hearings. It was usually accompanied by a request for marketing research. Unfortunately these requests were often rather vague as to the problems to be studied and also as to what might be expected from marketing research. Marketing studies in Ontario have sometimes lacked scope and depth of treatment.

(a) Quality Control and Product Improvement

Food marketing always has been a race against spoilage. A product soon loses its bloom, and wastage is a cost in marketing. Preventing wastage also is a cost in marketing, however, and so continuing effort is required to keep the cost of wastage and the cost of prevention of wastage in balance. Quality control and new product development are not new, but in recent years they have become indispensable aids to marketing. With the speeding up of technological change, substitution among materials and products is increasingly recognized as a means for achieving better utilization of resources.

The dimensions of food quality of which most consumers think probably are colour, odour, flavour, and texture. Difficulties arise, however, as soon as one tries to establish how (and how well) consumers identify quality in practice. The most important dimension of quality in food is wholesomeness or healthfulness, and yet this may not be closely related to colour, odour, flavour and texture. Evidently, most consumers assume that the foods which they buy are safe, thanks to government regulations and inspection.

Food quality is important for both the health and satisfaction of consumers. The recognition, measurement, control and improvement of quality are important to producers, processors and distributors if they are to serve consumers well and profitably. A national study group in the United States defined product quality as "those attributes which are inherent in or can be developed in a commodity that determine that acceptance of the product to satisfy present or potential needs of users". To meet these needs, food production is becoming more specialized and larger-scale. Business history is littered with the failures of producers and marketers who had something to sell that was not wanted.

Consumer preferences are subtle and complex - the preference patterns of individuals differ, a particular individual's preferences change over time, and preferences among products vary in intensity. Social pressures and merchandising practices can influence the changing pattern of consumer preferences. Several research tools are available for trying to determine consumer preferences: taste panels, test marketing, consumer interviews, consumer panels, and motivation research. To reach valid conclusions, these tools have to be used by competent and impartial analysts.

It seems to us that the purpose of grading should be to establish a common "language" understood by buyers and sellers as a basis for judging the quality of a product in relation to its acceptability. Grade standards can be very useful to consumers if they accurately reflect consumer preferences. Such standards can channel consumer preferences back through the marketing process to the producer, providing him with a guide to produce the preferred products and qualities. Grade standards should not vary with the size of the crop as often happens. As time passes, standards can lose touch with changing consumer preferences and technology, however, and create special problems for producers and consumers. Grade standards should be reviewed periodically, therefore, and brought up to date. Brand names are a merchandising device designed primarily to establish a preferred clientele of customers, but they may also help the consumer to distinguish quality differences, although this is not always so.

New technology can make food cleaner, fresher, healthier, more attractive and easier to prepare. Caution is needed, however, lest the untimely, excessive or otherwise inappropriate use of chemicals in production and processing menace, or appear to menace, the health of consumers, and thereby wipe out benefits to producers.

Federal, provincial and municipal health standards and inspections are responsible for minimum levels of purity and honesty, and explain the confidence which most consumers have in the safety of our foods. A shortage of staff, unfortunately, limits the coverage of these important health units.

Federal and provincial Departments of Agriculture have the responsibility for setting and enforcing grade standards for purposes of distinguishing different levels of acceptable quality above the minimum health level. A potentially powerful force for quality improvement and control exists in joint producer-trade marketing associations as they become increasingly quality conscious (Chapter 9).

Consumer preferences have to be accurately gauged, to begin with. Then these preferences have to be related to recognizable or testable features of the products. Then appropriate grade standards have to be drawn up for the guidance of consumers, producers, and the trade, and for inspection and enforcement.

The relating of quality to price poses several difficulties. Traditionally, the price of a product has been thought of as variable but not quality. This may have been because quality is harder than price to isolate for study. But a specified price without a specified or known quality is meaningless. Grading arose partly as a means of improving market information by relating price to quality.

The grades themselves often acquire "good" or "bad" (superior or inferior) connotations. This can be unfortunate, especially if the grades do not accurately reflect consumer preferences. There is no economic reason why a grade preferred by most consumers should always command top price - it is a matter of supply as well as demand.

Grading is not an end in itself. Grades should be descriptive of qualities which are preferred by clusters of consumers. Collective selling and mass merchandising tend to minimize the variety of quality preferences existing among different clusters of consumers.

Consumers are more likely than producers to benefit from realistic grading, except in the fundamental sense that particular producers or groups of producers may not have a market at all for ungraded products if there are rival sources of supply of graded products. It pays not to be last in introducing a quality improvement. It must also be recognized that quality control, by grading or other means, can be used to limit supply, which would tend to raise prices to the qualifying sellers and eliminate the rest.

(b) Processing, Storage, Packaging, Handling and Transporting

The maintenance of better food quality during marketing has been made possible by improvements in processing, storage, handling and transportation. Although the consumption of food in general continues at a fairly regular rate throughout the year, the production of food normally is highly seasonal. In order to provide an adequate and steady supply of food throughout the year, therefore, a year's supply of plant crops has to be produced during the summer season and much of it stored (or preserved by processing and then stored) for use until the next harvest. Products are in storage, technically speaking for the entire interval between their production and consumption. Because it is costly to have unused storage capacity, there is a tendency, where circumstances permit, to develop year-round operations.

Storage requirements among foods differ, but because most foods are more or less perishable, storage is dependent on some kind of processing for the preservation of quality. Even the earliest methods of storing food required some transforming of the food in order to reduce spoilage. Cooking, early harvesting, and the feeding of live stock can be regarded as means of preserving perishable food. Processing took such forms as drying, salting, smoking, cooling, pickling, fermenting, and preserving in sugar and ice. All of these ancient techniques of preservation for storage are still in use today, with refinements of processing and packaging. Handling and transporting have been greatly mechanized and accelerated to help preserve the purity, appearance, flavour, texture and nutritive values of food. The addition of various ingredients to foods to extend their storage life has become wide-spread. Sometimes during processing the edibility and nutritive value of the natural product are improved; for example, the nutritive value of some foods is improved by the addition of vitamins ("fortification").

Packaging performs several important services in marketing produce - protection and convenience in handling and shelving, information as to contents, branding for display advertising and sales promotion. Convenience and sales promotion are all the more important nowadays with self-service retailing. Apartment living has given rise to a demand for light, disposable containers.

Processing and packaging improvements sometimes create new problems,

however. For example, transparent plastic containers enable the customer to see the product which may be harmed, however, by the exposure to light. Improved products and new forms of products have helped to sustain or increase the demand for some foods, but usually another result has been a widening of the farm-retail price spread.

One reason why damage and deterioration arise in food marketing is the number of times the product is handled from farm to kitchen. Improved handling facilities are being invented. Machines, which are increasingly automated, are replacing human handling in one-storey warehouses, and a careful co-ordination of successive operations is reducing the number of times products have to be handled. The flow of goods from the farm to the consumer is being streamlined, and expensive labour is being saved in the process. The quality and efficiency of business procedures in food marketing are making giant strides with the application of electronics.

In marketing most fresh foods, rapid handling and transit suffice to maintain quality only for brief intervals and short distances. Products like milk, fruit, vegetables and meats require exacting conditions of temperature, humidity, ventilation and protection in order to maintain quality even for a short time; otherwise they must be processed. In addition to heat processing and the use of chemicals, refrigeration (both cooling and freezing) has come into widespread use for preserving foods. An increasing variety of frozen foods, especially fruits and vegetables, have gained wide acceptance in Canada since World War II. Sales increased, quality improved, and retail prices and price spreads decreased. Expenditures on frozen foods tend to be larger for families with larger incomes. The increased sales of frozen foods have been partly at the expense of decreased sales of fresh produce. Imports of frozen foods have been increasing faster than domestic production.

Refrigeration and freezing enable foods to be prepared and preserved in convenient form and then transported long distances and to contrasting climates. Quick freezing has enabled many highly perishable foods to be stored in their fresh form, or concentrated fresh form, for long periods with little loss of original quality. New techniques and special facilities have had to be developed, however, for producing, packaging, handling, storing, transporting, and merchandising frozen foods. Frozen foods have brought larger freezers into homes. The high uniform quality of farm products and increasing investment which are required in the frozen food industry has encouraged vertical integration in production and marketing.

Food technologists are striving to find new methods for improving storability (that is, greater resistance to quality deterioration in storage) and saleability. At the farm level, new varieties of crops are sought with better storage and processing characteristics. At the processing level, colour is added to make foods more attractive to the eye, chemicals are added to improve flavour, and eye-appealing packaging is used. Power to Produce (the United States Yearbook of Agriculture for 1960) states that "With further technological breakthroughs, radiation may join such recently developed methods as vacuum cooling, hydrocooling, aeration, and fumigation in providing more effective quality maintenance for foods". Recently reported is an accelerated freeze-drying process for storing perishable food (much reduced in weight and bulk) without refrigeration and preservatives. A pilot freeze-drying plant is needed in Ontario.

Increasing the storability of foods in general can extend the period of the year over which the more perishable foods are available for consumption. Progress along these lines may be expected usually to increase consumer satisfaction and producer and marketer incomes. Although individual farmers are usually remote from processing and packaging operations, they may be involved in these operations collectively and they often do some preliminary storage on their farms. The trend is toward more prepackaging in consumer-size packages prior to retail. Regardless of how little or how much marketing is performed by individual farmers, they have a vital economic interest in what

takes place because the pattern of flow, saleability, and prices of farm products are affected. Producers and producer groups, and the Department of Agriculture which serves them, can only gain from acquiring more intimate knowledge of the food and agriculture industry beyond the point of first sale. We consider this to be important.

(c) Quality Control etc. with Application to Dairy Products

In February 1961, 'An Inquiry into Marketing and Pricing of Milk reported to the Milk Producers' Co-ordinating Board of Ontario that "...of all efforts aimed at stabilizing and improving incomes of dairy farmers, quality improvement stands first".

Quality in milk is mainly a matter of purity (freedom from sediment, disease germs and antibiotics), and of pleasant, fresh odour and flavour. The typical consumer seems to judge fluid milk quality chiefly by odour and flavour, confident that compulsory pasteurization assures its safety. Although milk for sale must be pasteurized, milk consumed on farms is mainly unpasteurized.

The consumer regards flavour and texture as important qualities in manufactured milk products, but considerable subjectivity (personal opinion) is involved. Government standards for butter and cheese relate to flavour, texture, moisture, colour, salting, and packaging. The use of brand names for manufactured milk products is increasing. Efforts to associate brand names with quality have been less successful with butter than with packaged cheese and evaporated milk.

Technological developments in milk processing have facilitated quality control and product improvement by replacing unsanitary and variable manual practices with sanitary and uniform mechanical practices. Plants are becoming larger and more automated, and are processing an increasing variety of dairy products. The greater use of continuous process stainless steel equipment has permitted a more uniform purity of products. Cleaning methods have improved, especially with the introduction of in-place cleaning. Automatic packaging machines have reduced the use of the uncertain human factor.

Rapid, high temperature pasteurization methods have improved the flavour of pasteurized milk. Homogenization gives whole milk a uniform texture. Multi-vitamin fortification is being used increasingly in fluid milk.

Key characteristics of milk have been its perishability and bulk. Various means of preserving and concentrating milk have been developed. Instant-dissolving skim milk powder, which has reduced the bulkiness of skim milk and improved its shelf life, has become a popular substitute for fluid milk. Refrigeration is taken for granted as a preservative by most of us, but it has greatly facilitated milk quality control and product improvement. One of the most promising possibilities is sterile milk. The sterilization process promises to produce milk free from bacteria and with a built-in storage life of a few months at room temperatures. Concentrated sterile milk will be easily transported long distances.

Milk quality is limited by the ability of packaging to protect quality. Packaging also affects the storability and transportability of milk. Super-market chains have been responsible for the wide-spread use of paper containers and the increasing popularity of milk in multi-quart containers. Plastic coatings strengthen paper containers and avoid wax inclusions in the contents. Glass containers are now stronger, lighter and of various sizes. Coloured bottles and hooded caps can further guard fluid milk quality. Vacuum packaging of cheese helps maintain quality and presents an attractive appearance. A packaging technique is still needed that will keep cheese fresh after it is opened and returned to the refrigerator.

While modern technology has been able to improve and transform milk and

milk products, poor quality can often be traced back to conditions at the farm. Increasing specialization in dairy farming, more knowledgeable dairymen, and improved breeding and feeding practices, have resulted in larger and better herds. Higher quality herds usually mean higher quality milk.

Improvements in milk quality at the farm have been associated with the introduction of in-line milking and bulk handling and transporting. The installation of more adequate cooling capacity along with the bulk tanks permits quicker cooling and therefore lower bacteria counts. Bulk handling cannot compensate for poor herd management, however, and there is the additional risk that a small amount of poor milk will ruin a whole tankful. Refrigerated tank trucks have offered similar opportunities and hazards for milk quality. The bulk tank truck driver is a key figure in controlling quality because he does the grading before accepting the milk at the farm. A new level of supervision is needed, therefore, to co-ordinate quality control standards in bulk hauling. The Dairy Department at the Ontario Agricultural College holds a compulsory course of instruction, with examination, for bulk tank drivers.

The marketing, regulation and pricing of milk and milk products is a patchwork quilt. Fluid milk is usually consumed within the district of production, but manufactured dairy products often enter interprovincial and export trade. Consequently, there are local, provincial and federal regulations that apply to milk and milk products. Although the marketing of fluid milk and of manufactured milk products includes the same three functions of processing, wholesaling and retailing, these functions are usually performed by the same firm in the case of fluid milk, but by several specialized firms in the case of manufactured milk products. The more progressive producers of milk for manufacturing would have no trouble meeting the quality requirements for fluid milk, and so they see no justification for continuing the present wide price differential between fluid milk and milk for manufacturing. We return to this subject in the next chapter.

A "milk shed" is that territory from which fluid milk is drawn into a market. The provincial Department of Health has had jurisdiction over the quality of fluid milk, as it pertains to sanitation, both at the production and distribution levels. This responsibility was usually delegated to the Medical Officer of Health within the market municipality. Because of the local nature of this quality control, the degree of inspection was highly variable from one milk shed to another, from well-organized inspection by special medical health staff to part-time supervision by a local doctor. Inspection at the farm is in a state of change-over from the local health officials to the Ontario Department of Agriculture. This change-over is not to be completed until 1964, but meanwhile the need for closer supervision exists. A joint Ontario Department of Health and Department of Agriculture Committee report of 1959 spoke of the importance of "maintaining and improving the present levels of raw fluid milk quality". The provincial Department of Health still has jurisdiction over local fluid dairy plants, and this is usually delegated to municipal Medical Officers of Health. Other milk manufacturing plants are under Department of Agriculture jurisdiction, but this also is in a state of transition to the Department of Health. Jurisdiction over sanitation of all milk at the processing level will then be under the Department of Health and at the production level, under the Department of Agriculture.

The influence of the Ontario government on milk quality is pervasive through the Departments of Agriculture and Health and the Milk Industry Board. The Milk Industry Board licenses qualified persons engaging in distributing, processing and selling milk. Qualifications include experience, financial responsibility and equipment. Economies of large-scale operation have led to fewer and larger distributors, which has facilitated quality improvement and control.

The famous Ontario cheddar cheese is usually manufactured from unpasteurized milk, and because of this it must be stored for curing for at least sixty days in dated boxes under federal jurisdiction. Substantial improvements

in the control of cheddar cheese quality have been made in recent years. Although cheese is not required to be graded, most Ontario cheddar is graded and scores first grade. Untiring vigilance is required to maintain present standards because occasional lapses can occur which undermine an excellent reputation. Cheese, butter and powdered milk for sale outside of Ontario must be graded by inspectors of the federal Department of Agriculture.

What of the future for quality improvement and control in the dairy industry? Advocates of higher standards for fluid milk seldom argue on grounds of health. They say "We are interested in clean milk, not cleaned milk". Two reasons for wanting cleaner milk are better odour and flavour. Stricter sediment and bacterial tests would result in cleaner milk. One of the standard checks for bacteria is the Resazurin or dye-reduction test, but the reading here, we understand, is affected by the activity as well as the number of the bacteria and by the presence of white blood cells as a result of antibiotic treatment of mastitis in the cow. Finally, bulk cooling evidently retards bacterial growth enough to make the Resazurin test of questionable validity, unless preliminary incubation is used as is done in Great Britain. The industry is returning to the microscope plate as the standard test for bacteria count.

The excessive use of antibiotics by some dairymen in combatting dairy cow diseases like mastitis may be harmful to some consumers sensitive to antibiotics. The federal Food and Drug Directorate designates milk containing antibiotic traces as adulterated, but the staff is lacking to enforce this adequately. Pesticide residues in milk can be a problem. Apparently these problems result mainly from poor herd management.

Quality control improvements are needed in some dairy plants, particularly in operating techniques, to reduce post-pasteurization contamination. As far as government inspection and testing are concerned more staff and facilities are needed to enable more frequent and greater uniformity in sampling and testing and better transportation of samples to the laboratory.

At the retail level for fluid milk, there are some instances of inadequate refrigeration and neglect to sell supplies on the display counter by first-in first-out rotation.

Refrigeration also is important at the consumer level; families with home freezers tend to spend more on dairy products than families without home freezers.

The quality of milk entering manufacturing plants has been checked by local health officers only where complaints have been made. It is alleged that the plants themselves have used quality enforcement to restrict milk supplies in times of surplus rather than to maintain uniform standards. More frequent inspection and more uniform control of quality are needed. This requires specifications of adequate quality for milk for manufacturing, including compulsory farm and factory inspection and grading of the finished product. Raw milk for manufacturing should meet higher standards of flavour, odour, sediment, and bacteria. Farm certification should indicate satisfactory dairy herd health and adequate, sanitary buildings and equipment. Adequate standards can be enforced more easily if an economic incentive exists (Chapter 8).

Butter quality is one of the major problems in quality control of dairy products. Two special areas of concern here are the re-working of government stored butter and the butter produced by certain small creameries. All cream received for manufacture must be graded at the creamery and then pasteurized. It is the quality of the original milk and cream that largely determines butter flavour, however, and no amount of pasteurization can alter this. Until 1961, butter grading was voluntary, although a large proportion of Ontario butter was graded at the creameries. Butter at retail may be re-checked by federal inspectors, but there is not sufficient staff to perform this adequately. The Creamerymen's Association recommended to us that there should

be a federal butter grading station at the Ontario Agricultural College and that the College provide a weekly service for yeast and mould testing.

The federal government's purchase-for-storage program of supporting butter prices (whatever its merits may be on other counts) tends to lower the average level of butter quality from the key merchandising standpoint of fresh flavour. Trade purchasers wishing to obtain government butter must buy carload lots which contain both first and second grade butter that has been in storage several months. This butter is then re-worked and re-packaged to bring the salt and water content up to the legal limit and to provide a uniform colour.

Although the trend is away from farm separated cream toward fewer and larger multiple processing plants, about half of the butterfat is still separated on farms. The quality of much of this farm separated cream is poor and is sometimes separated under unsanitary conditions. According to the Creamerymen's Association and the Cream Producers' Marketing Board, intense competition among creameries often results in cream being over-graded. Evidently, cream grading regulations have not been stringently enforced. The Cream Producers' Marketing Board asked for increased farm visits by Dairy Branch personnel to check premises and equipment.

Some small creameries only collect cream from farms every four or five days. They may have to store cream, which was already stale upon delivery, to even out their churning loads. Smaller creameries are gradually being squeezed out because they cannot finance expensive modernizing or a shift to factory separation. In the meantime they are, along with farm separated cream, a major quality control problem in the dairy industry. Governments have left time to solve the distasteful and unpopular task of forcing smaller creameries and cream shippers out of business.

In concluding this section on dairy products, we can say that in general the quality of raw milk and milk products has been improving with time, technology and business consolidation, but that there is still plenty of room for improvement in general, and that there is a need for accelerated improvement along particular lines. This can best be accomplished through the co-ordinated efforts of the various links in the dairy industry chain from the producer through to the consumer. We note that new grading regulations for dairy products, aimed at improving quality, are going into effect in Ontario in 1961, and we urge their strict enforcement. We believe that substantial improvements in dairy farming and processing can be made by better care and methods without expensive investments.

(d) Quality Control etc. with Application to Meats, Poultry and Eggs

The quality factors which consumers usually associate with meats seem to be colour, tenderness, flavour, and amount of waste. Safety generally is taken for granted, thanks to the inspection service of the federal Health of Animals Branch. Except perhaps for colour and waste, meat quality is not easy to assess at retail. Even colour may be misinterpreted. Many consumers probably rely upon past experience with their meat suppliers, some consumers no doubt depend upon government grades to assure uniform quality (supermarket chains have encouraged this), and some consumers rely on brand names for processed meats.

Federal Red and Blue brand beef grades have been related closely to conformation and finish (fat marbling in the meat but not too much surface fat). Conformation, which refers to thickness of muscling and the development of the various parts of the carcass, and surface fat indicate how much weight in trimmed retail cuts (and the proportions of the various priced cuts) the carcass will yield. Technological developments are altering the amount of surface fat on cattle. Breeding and feeding practices also affect tenderness, and conformation. The cattle raiser is interested in animals that gain weight rapidly, which they do when young.

Because finish is not consistently related to juiciness, tenderness and flavour, consumers may be paying a premium price for high-grade beef that is no more tender, better-tasting, or more nutritious than some lower-graded, cheaper beef. Consumers are increasingly averse to fats. We endorse the point made by the Beef Producers' Association of Ontario at our public hearings that energies should be directed towards producing a good cut of meat, in terms of tenderness and flavour, from less highly finished cattle.

Federal grades could be made more meaningful by reflecting more closely the quality factors of flavour, tenderness and leanness judged so important by consumers. This subject of meaningful grades requires more study before rail grading of cattle or compulsory retail grading of beef are undertaken.

Except for hogs, which are graded on the rail in carcass form, the price for meat animals depends in part on a visual estimate of how the live animal will grade and yield when dressed. More objective methods than this of measuring the quality and yield of live stock are needed, and are likely not far away. Instruments are available for testing and measuring tenderness in meat - one is a shear device, another is a special grinder, and another measures the pressure required to force a drop of fluid through a small opening.

Some meat packers make direct purchases from specialized farmers for top quality cattle. There are about 15 beef feedlots in Ontario with over 500 head each. We would also draw attention to experiments by some supermarket chains in the United States in purchasing beef directly from large feedlots and featuring a feedlot operator's name (rather than a government grade) in their sales promotion as the guarantee of quality.

Ontario farmers have already come a long way in producing meat-type hogs and broilers. Ontario beef grades have a lower average level than in Western Canada because of the many dairy cattle culled for beef in Ontario. Progress in live stock farming can be nullified by improper handling in transit due to bruising or other injury. Improvements here may come by more careful trucking, by locating smaller, one-storey abattoirs at interior points, and perhaps even by the use of tranquillizers.

Meat packers also have a great interest in meat quality. Methods of preparing meat and meat products for market have adjusted rapidly to mass-distribution retailing. Improvements have been made in curing (quick curing hams and bacons, for example), in pre-packaging for self-service retailing, and in the chemistry of by-products. The trend toward greater use of convenience foods has resulted in an increased output of boneless and pre-cooked meat products, attractively wrapped in display packages. Flavourful, tender beef requires ageing for a few weeks at cool temperatures, but this is time-consuming and ties up expensive refrigerator space. Researchers are trying to speed up the ageing process artificially. Processing can transform parts of lower-grade pork carcasses into high-grade meat products, but only by trimming off a higher proportion of the original weight in the form of low-priced by-products. Not all manufactured meat products require top quality live stock; a variety of meat loaves etc. provide a market for the lower qualities.

The cutting and packaging of most fresh meat is still done at retail. Smaller and more uniform cuts of fresh meat have been increasing in popularity. Standardized trimming of higher-value cuts to uniform size and weight has become important to institutional users. In fact, this "portion control" may be the forerunner of centralization in trimming and packaging of all fresh red meats at packing plants.

The Live Stock Branch of the Ontario Department of Agriculture is concerned with improving the quality of live stock by means of various programs - the Advanced Registry Policy for beef cattle, the Bull Premium Policy, the Certified Herd Policy (for swine herds free from rhinitis and virus pneumonia), and

the Boar Premium Policy. The disposal of dead animals comes under a recent Act, which was badly needed, providing for regular inspection of dead animal disposal plants.

The Canada Department of Agriculture exercises considerable influence over the quality of live stock and meat - through the Record of Performance Policy for cattle and swine, the Bull Club Loaning Policy, the Ram Club, through post-mortem examination of about 80 per cent of slaughtered meat animals by the Health of Animals Branch to make sure they are free from communicable disease, through a grading service offered by the Production and Marketing Branch to larger inspected slaughter-houses, through a quality premium on A-grade hogs, through price support limited to A-grade hogs, through investigations and certification of packing plants by the Food and Drug Directorate, and, to a limited extent in the case of meat, through the Consolidated Retail Inspection Branch.

Perhaps about 20 per cent of the meat sold in Ontario (from about 1000 small slaughterhouses) is not federally inspected, and comes under the jurisdiction of municipal and provincial health authorities. Typically there are not full-time municipal health officials, and in such situations, the provincial health authorities hope to enforce directly the regulations governing sanitary slaughtering facilities and equipment and begin post-mortem inspections. Meanwhile conditions and meat quality vary from good to bad, even where full-time municipal health officials exist.

There is general agreement that federally inspected meat is reliably wholesome. We warn consumers not to confuse the term "government inspected meat" with "federally inspected meat". Two Ontario municipalities, Windsor and Ottawa, stipulate that only federally inspected meat may be sold. To wait for all municipalities to voluntarily follow this good example would be too slow; provincial government leadership is essential.

The breakthrough to mass marketing of uniform quality, ready-to-cook, chicken broilers, which we already take for granted, resulted from genetic research on rapid weight-gaining, low mortality and meaty hybrids, successful control of disease, and rapid increases in feeding efficiency at the farm level. Nutritious feeds with protein supplements, minerals, vitamins, fats, antibiotics and other drugs, were developed. Housing, lighting, heating, ventilating, watering and cleaning were improved and automated. It became possible and profitable to plan, finance, operate, and co-ordinate large integrated and mechanized operations including feed mixing, chick hatching, growing of the chickens, assembling, slaughtering, eviscerating, inspecting and packaging them for market. The chain stores are thus assured of large supplies of uniform quality broilers. Production and marketing costs have fallen, while farm-retail price spreads on most other farm products were widening, and consumption has increased rapidly. Inspection should soon become compulsory for all poultry processing plants.

Egg quality is effected by breeding, feeding, age of the hen, and care in production and marketing. These conditions vary a good deal throughout Ontario. Refrigeration of eggs is desirable right after laying to prevent rapid loss of quality. This is impractical for small flocks - we were told at the public hearings that a minimum of 1,000 to 1,500 layers is required to justify farm refrigeration. Grading stations have adequate refrigeration, but the problem is encountered again at retail, especially with small retail outlets.

The trend seems to be toward grading eggs at country shipping points and packing them in consumer-size cartons, or institutional containers, with master containers for shipping. Egg grading and packaging are becoming highly automated to check rising costs. Candling eggs can distinguish a good egg from a bad one, but cannot distinguish good from extra good. The breakout test can do this, and it should be used more widely. Blood spots in eggs can be detected more accurately and efficiently electronically than by human

vision. Checked or cracked eggs are still a challenge to more careful handling.

(c) Quality Control etc. with Application to Fruits and Vegetables

Harvested fruits and vegetables are living matter and they age as they "breathe". Efforts to prolong their life by slowing respiration must be made with careful speed because the product can suffocate in the wrong atmosphere.

It is difficult, however, to discuss the quality control of fruits and vegetables in general terms; we shall confine our detailed remarks to tomatoes, potatoes, peaches and apples. These are leading vegetables and fruits, and they illustrate the kinds of problems encountered throughout the industry.

Tomatoes are a highly perishable crop and they must be delivered quickly and carefully to consumers or processing plants. Consequently, packaging materials, labour, and spoilage are high costs in marketing. Potatoes are also quite perishable unless stored and handled with care. Because of their tenderness, peaches must be picked, packed and handled with care. Pre-cooling is now mandatory if the peaches are to be shipped to distant markets. Cool temperatures or controlled atmosphere (CO₂) storage is necessary to preserve apples in storage. Some storage of apples is done on the farm, but the greater part of the crop is stored, graded, and packed in central warehouses. Controlled atmosphere storage has placed apple marketing on a twelve-month basis.

Acceptable quality in fruits and vegetables depends a lot on the end use and user. There would be wide agreement, however, that produce should be free from mechanical and insect damage and not contaminated by foreign matter, that it should be fresh and properly packed and stored and should be appealing to the eye. Colour is probably associated in the minds of consumers with flavour, texture, and nutritive value. Desirable texture varies with the particular fruit or vegetable (for example, crispness in apples but tenderness in peaches). Desirable aroma and flavour also are specific to particular fruits or vegetables. Colour, texture, aroma and flavour probably reflect quality to consumers, but these characteristics do not necessarily indicate nutritive value.

Habit and custom are important influences on consumer choice. Soil and climate affect the selection of varieties customarily grown and consumed locally. The season of the year and availability of produce may affect consumer preferences. Long distances and deterioration of fresh produce may create preferences in remote places for processed products. In Ontario, the protection of produce from freezing weather during distribution in winter is almost as important a consideration as protection from heat in summer.

Storage is crucial in produce marketing because it enables seasonally variable supplies to flow more evenly onto the market. Also, the pattern of heavy week-end shopping requires chain stores to take in their large supplies at mid-week. Producers have to accommodate their harvesting, storage and deliveries to this pattern or lose this major outlet. On-farm refrigerated storage has been increasing. Co-operative storage plants have sprung up with the encouragement of federal and provincial subsidies or loans.

The benefits of storage are greatest when other related steps are taken. Growing storable varieties is the first step. Control of humidity and temperature helps to protect freshness and extend storage life. For example, potatoes retain their freshness and vitamin C best near 50°F., but they sprout quickly at this temperature. Storage potatoes can be sprayed with sprout inhibitors. Some processors acquire storage adequate to assure them a year's supply of raw products of uniform quality. With increasing sales directly to chain stores, some processors are increasing their storage capacity thereby by-passing commercial wholesale storage. The facilities of some small dealers and retailers are inadequate for retaining produce quality.

Pre-cooling of produce prior to storage and transportation can greatly extend product life. Ice and cold water formerly were used for pre-cooling, but vacuum cooling now performs this much faster and with little loss of moisture. This process is being used successfully on peaches, lettuce and carrots. Packaging has permitted more advance preparation of produce - washing, sorting, grading, waxing, pre-cooling, and pre-packing in consumer-size packages. Pre-packing becomes integrally linked with pre-cooling. For example, the handy new peach master corrugated cardboard container is designed to facilitate ventilation and cooling as well as protect the fruit from injury.

Where long distance shipment is involved or long shelf life is required, processing may be necessary to preserve flavour. Modern freezing techniques preserve near-fresh quality in certain produce, and to get the best results some processors contract for the particular varieties which are best suited to freezing. For other products like peaches and tomatoes, canning is still the answer. There have been improvements here too, such as high temperature pasteurization and continuous process canning. A new method has been found to store fresh tomato pulp without additives which has raised quality and permitted more versatility and flexibility in production.

Industrial, provincial and federal agencies all have assumed active roles in promoting the production and marketing of quality produce in Ontario. The Ontario Department of Agriculture works through its Markets Branch and Inspection Service, Field Crops Branch, Horticulture Department at the Ontario Agricultural College, and Horticultural Experiment Station and Extension Branch personnel at Vineland. The federal government conducts horticultural research, inspects some produce at the farm and retail levels, and inspects processing plants. Processors usually work closely with their suppliers and offer a variety of aids to producers, including test plots and advice on varieties, planting and harvesting dates, and cultural practices. As mentioned in Chapter 4, the Food Processors' Association told us that they like to locate where crop yields and quality are highest, even if labour is more expensive, because this is more economical and involves less bookkeeping, scheduling of deliveries, and better container policy. The tendency has been for smaller producing and processing units to be squeezed out or be consolidated. Processors have been contracting for vegetables and fruit for years, but may need long-term ("forward") contracts for fruit in order to get the varieties, quantities and qualities required.

The Horticultural Experiment Station also does research into handling and packaging. Efforts of the Field Crops Branch are directed to increasing yields and improving quality. Under the Ontario Farm Products Containers Act, a levy of one per cent is added to the maker's selling price of containers for fresh fruits and vegetables and the proceeds are turned over to the Fruit and Vegetable Growers' Association. Under the Co-operative Loans Act, loans up to \$100,000 may be made to assist co-operatives in providing facilities for grading, cleaning, packing, storing, drying, processing and marketing farm products. Special provisions apply to potato storage under the federal Potato Storage Act, but no provincial matching grants have been forthcoming under this legislation.

Fruit and vegetable inspection in Ontario is undertaken by three separate services: the Fruit and Vegetable Service and the Consolidated Retail Inspection Service of the Canada Department of Agriculture, and the Ontario Farm Products Inspection Service. The inspection work of these three services overlap some, but generally they co-operate closely.

The Canada Department of Agriculture was first to carry out inspection. It inspected shipments for export, and later also imports, interprovincial shipments and processed produce. The Consolidated Retail Inspection Service inspects fresh produce in retail stores in Ottawa, London, Toronto, Hamilton, and Windsor. If the federal Service wishes to extend these retail inspections in Ontario, it calls in the Ontario Farm Products Inspection Service. Municipal health authorities license retailers and have the power of detainment.

Ontario produce seemed to need more quality control than in other regions, and the Canada Department did not feel justified in providing sufficient inspectors for this. Under urgings of the industry and Horticultural Council, Ontario entered the inspection field in the early 1940's. The Ontario Farm Products Inspection Service looks after fruit and vegetable inspection in "closed areas", terminal markets, and all wholesale markets including chain store warehouses, farmers' markets, and retail stores where the Consolidated Inspection Service does not operate. Inspection is carried out at designated highway inspection points in the main producing areas and at strategic receiving and distribution points across the province. The grade prices of some produce for processing are negotiated or arbitrated between producer boards and the processors, and the Inspection Service inspects the produce to establish the grade. The Inspection Service also performs miscellaneous other chores bearing some relation to quality control and improvement. In most cases, the province has adopted federal grade standards. Size and shape seem to be overemphasized in present grade standards. The Food Processors' Association cited tomatoes for processing as an example of how federal and provincial grading regulations sometimes conflict.

The Ontario Food Processors' Association holds an annual quality control conference to study the development and dissemination of information on better methods for quality control. The Association sponsors a Mould Count School. It participates in a Tomato Grading Committee and a Strawberry Council, along with the Fruit and Vegetable Growers' Association and other branches of the industry.

In spite of the unquestionable progress that has been made in controlling and improving the quality of Ontario fruit and vegetables, we do not seem to be keeping pace with rapid improvements in the United States. A substantial amount of the produce consumed in Ontario is now imported. (See Chapter 14). Imports are increasing during our own marketing season. This is the biggest challenge facing our fruit and vegetable industry - to win back a larger share of our markets by competing in price, quality and convenience with imports from the United States. Unless we can accomplish this, we have little hope of exporting to overseas markets in competition with a wide variety of top-notch produce from various other countries. In Europe, the fruit growers themselves finance part of the research. Even if Ontario producers succeeded in exporting their best quality, this would usually mean that the top quality demands of the home market would have to be met by imports because Ontario consumes more of these products than it produces.

One of the troubles with our produce, judging from detention data, is excessive, careless and improper handling. Another problem is non-uniform, old-fashioned and used containers. We have been told by some producers that they are well aware of these shortcomings, but to put them right would cost so much extra that their profit margin would be wiped out. We think that these producers must already be high-cost and are perhaps too small in scale of operation. If they cannot or will not modernize and guarantee a uniform quality product, in modern containers, then they must certainly lose out soon to those producers in Ontario and elsewhere who are adjusting. Larger producers are better able than small producers to afford their own storage and other facilities or to arrange adequate custom storage.

It looks as if the poorest, as well as the best, of Ontario produce enters the Toronto market. This is unfortunate because the price for lower grades tends to establish the level of market prices; it is doubly unfortunate in view of the fact that Toronto prices tend to set the price level for the rest of Ontario. When the producing and consuming areas are so close, it would be difficult to enforce quality and price agreements without the understanding and co-operation of all vertical links in the marketing chain from producer right through to consumer.

Potatoes are an example. When Maritime potatoes reach here in October, they displace sales of Ontario potatoes. Evidently this is mainly due to the

inability of our producers to assure the chain stores a large supply of uniform cooking quality. Ontario's problem seems to be a lack of adequate and proper potato storage rather than poor growing conditions. Adequate storage would provide space and machinery for grading, washing and packaging, and would also enable certain specialized producers to cater to the expanding potato processing industry. When potatoes are refrigerated, part of the starch turns to sugar, and the slices then turn brown when cooked in oil. The sugar will turn back to starch again if these potatoes are stored for several weeks at 70°F. Present potato grade standards are based too much on appearance, which usually is peeled off for garbage.

More co-ordinated (but not necessarily central) packing also seems to be part of the answer for tomatoes. Tighter regulation of the marketing of immature tomatoes is needed.

The Ontario Association of Consumers complained to us of unripe peaches. The Peach Growers' Co-operative and Marketing Board have promoted pre-cooling, improved packaging, and in-transit cooling. Some of the peach growers who do their own packing make it difficult for the industry to turn out a uniform quality pack, however. Evidently, co-ordinated packing and wider use of better containers are needed here also.

Some apple containers at retail are not too satisfactory. The polyethylene bag and the bushel basket do not afford sufficient protection to apple contents.

Apparently a substantial amount of produce is repacked at retail from 6-quart baskets into smaller amounts. This suggests that there is room for producers either pre-packaging in smaller than 6-quart containers or shipping in larger, less expensive containers for repacking at retail.

D - Summary and Recommendations

We begin by accepting the viewpoint that the satisfaction of consumer wants is the purpose of economic activity.

"Marketing" refers to the activities involved in the flow of goods and services from producers to consumers. In our changing economy, however, production and marketing decisions and problems are inseparable.

We have found it helpful to think of the functions of agricultural marketing as: buying (including assembling) and selling (including merchandising); transporting through space as well as time (storage); and transforming (processing). To facilitate the profitable performance of the primary marketing functions, there are available several auxiliary tools or aids, such as research, marketing information, product improvement and quality control, refrigeration, materials handling, packaging, progressive business practice, business integration, credit, consumer preference studies, and advertising. These aids to marketing are discussed in this chapter under three product group headings - dairy products; meats, poultry and eggs; and fruits and vegetables.

Ontario farmers have the advantage of a short haul for a large and expanding home market. Most of what is produced on Ontario farms is consumed within the province. Ontario farm products are encountering increasingly stiff competition in domestic and overseas markets. A critical examination of the kinds and quality of Ontario farm products is required in the light of changing consumer wants and marketing methods.

Food marketing is a race against spoilage, which is a cost in marketing as is the prevention of spoilage. Quality control and new product development have become indispensable aids to marketing in recent years. The recognition, measurement, control and improvement of quality are important to farmers, processors and distributors if they are to serve consumers well and profitably.

The first step is to gauge consumer preferences. These preferences have to be related to recognizable or testable features of the product. Then appropriate grade standards have to be drawn up for the guidance of consumers, producers, and the trade, and for inspection and enforcement.

The maintenance of better food quality during marketing has been made possible by improvements in initial quality and by developments in processing, storage, handling and transportation.

Regardless of how little or how much marketing is performed by individual farmers, they have a vital economic interest in what takes place because the pattern of flow, saleability, and prices of farm products are affected. Producers and producer groups, and the Department of Agriculture which serves them, can only gain from acquiring more intimate knowledge of the food and agriculture industry beyond the point of first sale. We consider this to be important.

Keener competition and higher standards of quality are trends of the times. Better products may cost more, but not to improve our products might cost us our markets altogether.

Our recommendations on the subject matter of Chapter 7 follow.

1. we recommend that producer and marketing groups jointly sponsor research in consumer preferences for their products. The Department of Agriculture should give encouragement and leadership through the Research Institute proposed in Chapter 13.
2. Consumer tastes and nutritional sources change. Accordingly, we recommend that grade standards be re-appraised and revised as necessary to keep them up to date with consumer preferences.
3. we recommend that encouragement be given to introducing more objective grading tests to reduce the reliance on variable human judgement.
4. we recommend that wherever possible inspection should be in force at all major links in the chain from the farm through to the consumer level. Inspection personnel should be free from conflicting responsibilities.
5. we believe that joint producer-trade action would be very effective in improving the quality of farm products, and we so recommend. (See Chapter 9).
6. Increasing vigilance is needed to protect the public from harmful residues and additives in foods. We recommend that the Ontario government encourage federal efforts to expand the good work of the Food and Drug Directorate.
7. we recommend that periodic review be made by the Ontario Departments of Health and Agriculture of what health and quality standards are required in dairy products in order for them to meet increased competition from other foods. Although this is a general recommendation for dairy products, butter obviously is in greatest peril.
8. A good quality product cannot be made out of an inferior raw material. It is poor business for some dairymen to allow milk from their cows to deteriorate due to careless milking and handling. We recommend that the long-range quality target at the farm level be to advance more rapidly toward a better and more uniform level of quality and inspection of raw milk for all purposes. The present pricing and inspection systems for fluid milk and other milk products have had a detrimental effect on the quality of some dairy products. The pricing system which we are recommending in Chapter 8 should help to raise and standardize milk quality.

9. We recommend that federal grading and standards of plant inspector set a minimum for all live stock, meat, poultry meat, eggs, and slaughtering and processing facilities in Ontario.
10. We recommend co-ordinated (not necessarily central) packing to fruit and vegetable producers as a means of quickly raising produce quality and of assuring large-scale buyers a more uniform supply.

CHAPTER 8 - MARKET STRUCTURES AND PRICE MAKING

An important factor influencing the behaviour of prices is market structure. By "market structure", we mean the number, size and behaviour of buying and selling firms facing each other in a market. The number of competing firms is crucial, but attention must also be paid to the degree of product specialization and the nature of the product.

In this chapter we examine the market structures of the main groups of farm products and of some important individual products produced in Ontario, and describe the process by which prices seem to be determined in these markets. We begin at the retail level with the supermarket chain stores because demand at the farm level is derived from the demand of consumers at retail, and because the supermarket chain is probably the most influential business unit in food marketing today. The concentration of buying power among a few large supermarket chains has caused concern among farm organizations lest excessive downward pressure be exerted back through the marketing system upon farm prices. Concentration in the industries supplying farming has also been a cause for concern but we have not gone into this because it was beyond our terms of reference. It should be pointed out in this connection that a study is currently underway by the Standing Committee on Agriculture and Colonization of the House of Commons in Ottawa of the prices of farm machinery and related questions.

(a) The Growth and Impact of Supermarket Chains

Food retailing in Ontario has undergone two revolutions since the first World War, both of which were imported from the United States. Food retailing used to be almost entirely a small family business, like farming. The first revolution began with the growth of grocery chains, in which each unit store was not large. These chain stores stocked a limited number of fast-moving groceries and few or no perishables such as meat or produce (by "produce" we mean fresh fruit and vegetables). Success was based upon a low-price policy which was permitted by economies of mass buying, central warehousing and the elimination of credit and delivery services.

In an attempt to maintain their volume of business in face of this grocery chain development, some wholesalers in Ontario began to sponsor groups of independent retailers who agreed to buy most of their supplies from their sponsors in return for favourable prices also made possible by mass buying. The success of these early wholesaler-sponsored grocery groups was limited, however.

The second revolution came with the large, one-stop, self-service, cash-and-carry supermarket, introduced into Ontario by the grocery chains during the late 1930's. These supermarket chains expanded rapidly after World War II. "Combination stores" (grocery stores also selling fresh meats) accounted for only 29 per cent of all food sales in Ontario in 1931, but by 1951 this share had increased to 69 per cent. The chains' share of grocery and combination store sales in Ontario increased from 44 per cent in 1949 to 60 per cent in 1959, compared with 45 per cent for Canada as a whole in 1959. Ontario accounts for about 53 per cent of Canada's chain store sales.

Voluntary groups account for about 20 per cent of Ontario's grocery and combination store sales, compared with 60 per cent for the chains, which leaves 20 per cent for unaffiliated retailers. Not included in these estimates are many, small, specialized food stores - bakery shops, dairies, egg and poultry shops, fruit and vegetable stores, and meat markets (butcher shops). In 1951 these specialty stores accounted for 31 per cent of all food sales in Ontario.

The supermarket chains undertook most of their own wholesaling. Some of the larger wholesaler-sponsored groups began to fight back successfully against the inroads of expanding supermarket chains by adopting the key techniques of their rivals. Wholesaler sponsors may lend members money to remodel their stores, and some wholesalers build modern stores and either lease them to retailers

or operate them themselves through managers. A few wholesalers have set up cash-and-carry, self-service depots in larger cities to cater to small, non-group grocers. In these self-service warehouses, bulk cartons are broken into units suited to the needs of the small independent grocer and restaurant, and the self-serve wholesale prices are lower. Generally, however, the unaffiliated small wholesalers and independent and specialized retailers were hard hit by the rapid expansion of corporate and voluntary supermarket chains.

The expansion of supermarket chains, both corporate and voluntary groups, has been partly by their displacing existing small, independent meat, grocery and fruit and vegetable stores, and partly by their gaining the initiative in new residential areas. The province and municipalities have been planning and regulating urban growth. Centralized service areas or shopping centres were zoned in the larger subdivisions, and corner grocery stores were not permitted. The shopping centre has become a landmark of modern suburbia. Ontario accounts for about 60 per cent of Canada's shopping centres. Most of Canada's shopping centres with over 30 establishments are located in Ontario. The shopping centre, in turn, is dominated by the supermarket which accounts for about 42 per cent of shopping centre sales in Canada. Some supermarket chain interests have also entered the shopping centre business as such.

The supermarket is a high-volume store requiring heavy investment, careful location, and good management. The spreading ownership of refrigerators and automobiles by families in fast-growing cities made once-a-week, one-stop shopping at supermarkets feasible. The supermarkets also cater to the requirements of apartment dwellers and working wives for convenience foods, and of mothers for prepared baby foods. The supermarkets stocked an increasingly large variety of items, including numerous non-foods. The number of items usually exceeds 5,000.

Imaginative, eye-appealing changes in supermarket design and layout are continually being made. The objective is to maximize sales per square foot of space. There is promise of further technological advances such as electronic check-out and automatic bagging. Although the size of supermarket units seems to have levelled off, the average size of retail food stores is still increasing due to the continuing fallout of small family grocery stores. The time may not be distant, however, when the average size of retail food units begins to decline. "Bantam" stores seem to be meeting with considerable success in the United States.

The modern supermarket site, parking lot, building and equipment, require an investment of about one-half million dollars. Obviously, the ability to establish a chain of supermarkets depends on ready access to large amounts of capital. A chain of supermarkets is better able to bear the considerable financial risk involved in opening a new supermarket. Such large businesses can benefit from the mass promotion of their goods and can afford to do their own research.

Retained earnings have been a major source of funds for supermarket chain expansion, followed by stocks, bonds and bank loans. The use of "lease-back" arrangements frees invested capital for further expansion by enabling a chain to lease back a newly built store on a long-term basis from specialized investors or affiliated companies. It has been argued that the existence of large retained earnings indicates a lack of keen price competition in food retailing. It could also indicate excessive downward pressure on farm prices.

Presumably what is wanted for public welfare is efficiency without the exercise of monopoly power. Industrial concentration, such as exists in food retailing, does not of itself prove the exercise of monopoly power, but it would be a major condition for making the exercise of monopoly power possible.

The most readily available index of concentration is the share of an industry's sales accounted for by a firm or group of firms. In 1959, according to the Dominion Bureau of Statistics and the Canadian Grocer, the five largest

food chains in Canada (Loblaws, Dominion, Safeway, A & P, and Steinberg's) accounted for 37 per cent of sales by all grocery and combination stores. All chains in 1959 accounted for 60 per cent of grocery and combination store sales in Ontario, compared with 45 per cent for Canada. Loblaws alone account for nearly one-half of Ontario chain sales. Dominion Stores have about 55 per cent of their stores located in Ontario, and A & P about 70 per cent of their Canadian stores. Some of the smaller chains are important in certain cities or areas. Chain sales are particularly important in Peterborough, St. Catharines, Port Arthur, Kitchener and London.

Another approach to concentration is by financial interest groups, that is stock ownership or interlocking directorships. Business practice seems to require, however, that each business unit of a financial group operate more or less independently and competitively of each other. George Weston Limited has many horizontal and vertical ownership relationships including Loblaws. Dominion Stores have wide interlocking directorship connections including Hardee Farms, which is engaged directly and indirectly in the production, purchasing, packing and marketing of fresh vegetables in Ontario and elsewhere. A & P is a subsidiary of the largest food chain in the United States. Steinberg's moved into Ontario from Quebec in force by buying out the Grand Union retail chain in 1959 and an Ottawa wholesaler-sponsor of a voluntary group. There is increasing concentration among sponsoring wholesalers and also among the wholesalers supplying independent retailers in Ontario.

In short, horizontal and vertical integration in food retailing and wholesaling has been increasing in Ontario. One or two large chains have also extended their influence into processing and farming.

The trend toward large-scale food merchandising does not prove that operating efficiency is greater there than for the small grocer. A lower profit per dollar of sales could be more than offset by the much larger volume of sales. Also the small retailer is much less able to obtain credit for expansion. On the other hand, we have seen no proof that the supermarket chains have higher costs than the small retailer, and one needs to ask whether the prices charged by small retailers would be higher now if it were not for the chain supermarkets.

It is extremely difficult to make valid price comparisons between classes of stores because of quality and size variations of goods, but when price spreads on some individual products were compared, the spreads of the chains doing their own wholesaling were smaller than the sum of the two spreads of the independent retailers and wholesalers. The services performed in the two situations are not strictly comparable, however, and actual marketing costs are probably lower in cities where the chains are located than in less densely populated areas where many of the independents operate. On the basis of existing information, sweeping generalizations are unwarranted. About all that can be safely said is that the price spreads of independent stores in rural areas where chains do not operate tend to be higher than for independent stores in urban areas where chains do operate. Independents in urban areas feel they must meet chain prices on certain items at least. A lone store in a superior location may be able to charge slightly higher prices.

With rising personal incomes and increasing concentration, price competition in food retailing appears to have been displaced by other forms of competition as a primary means of drawing customers. The average consumer seems to be convinced that price differences among chains reflect differences in quality. In any case, with one-stop shopping it is the price of the food basket that counts, and there is no ready way of making this comparison.

The selling strategy of chains appears to be to attract the maximum number of customers, win their allegiance, and induce them to spend a lot of money on each visit, without making many or permanent price concessions. The non-price devices and non-food services used to carry out this policy partly win customers away from small independents and partly just tend to offset each other among the rival chains. Only to the extent that volume is increased as a

result of these practices are their specific costs likely to be covered by lower food costs per dollar of sales.

The chains and their manufacturer-suppliers can influence consumer wants and choice by amount and location of shelf space allotted to different items, display features, specials, advertising, and packaging. Impulse buying seemingly is of some importance. The chains have not been able to do much, however, about the uneven pattern of daily sales - most of the week's sales are made on Thursday and Friday afternoon and evening and on Saturday morning and afternoon.

What are the effects of chain merchandising practices upon people producing and marketing farm products? In other words, what interrelationship is there between a chain's selling and procurement practices? In recent years, procurement prices appeared to be less important than assured large-volume supplies of uniform quality which are needed for planned merchandising - always providing a rival chain does not get its supplies for advertised specials at a lower price. The importance to producers of orderly selling becomes apparent.

A period of increasing competition in food retailing may be expected during the 1960's, following the rapid expansion of the chains into new locations during the last 15 years. Discount marketing of food as well as non-food items may become a new competitive ingredient. Would increasing service competition among food retailers increase their costs, reduce their profits, and lead to increased pressure on their suppliers? Or if consumer resistance were to develop against too many food marketing services, would the chains or the independents be more able to cut costs and prices? If one feels that the chains would win out in such an economy offensive, would it be because they have lower operating costs or because they could exert more downward pressure on the prices of their suppliers? Leading suppliers would probably react by increasing their volume - they have been doing this already because there are usually economies in larger-scale processing and farming.

As the chains and voluntary groups grew in size, they had to establish sources of supply which could give assurance in advance of reliable deliveries and of uniformly good quality and packaging. Sources of supply vary among products and to some extent among chain companies. Chain head offices increasingly purchase processed food directly from manufacturers, by-passing brokers and wholesalers. Most fresh food is also purchased centrally, although store managers are sometimes allowed to purchase local produce. Farmers may feel some resentment and fear towards the chains because as individuals they usually cannot sell to chains. Some producer co-operatives also complain of the difficulty of selling to the chains.

Most chains buy directly on regular orders from a few suppliers who assure them continuity of supply and uniform quality. They may or may not commit themselves as to price. Some chains buy from a larger selection of suppliers on the basis of current offerings. Some chains which normally buy from regular suppliers may also buy "fill-ins" from other suppliers. Most deliveries are made to the central warehouse, where they are inspected, stored and shipped out in company trucks to retail units. Perishable dairy products (milk, cream cottage cheese), most bakery products, and some meat products are usually delivered directly to individual chain retail units. The tendency seems to be for preparation and packaging to be performed closer to shipping points in order to reduce wastage.

For perishable products like produce and eggs, the prices of which fluctuate from day to day, purchases are usually made on an "open ticket" (price unspecified and to be tied to the wholesale market price of the following day). This reduces the risk of being undersold by a rival chain buying at a lower price, but it places chain produce buyers in a powerful position and suppliers in a vulnerable position. An example is the return of damaged produce. Provincial inspectors try to prevent the return of produce to suppliers when the damage occurred after arrival, but there is probably no way of preventing

buyers from recouping these losses on subsequent purchases if they are determined to do so.

The tendency toward direct supplier-customer arrangements reduces the representativeness of wholesale market prices and may increase their instability. The daily price range in wholesale markets may be quite wide due to shifts in a demand and supply situation for a small volume of sales.

The increasing size of chains and their preference for dealing centrally with a few, large, reliable suppliers has encouraged the expansion and merger of suppliers. Co-operative suppliers are no exception. Occasionally, the chains have acquired more control over supplies by vertical integration. Chain buying has encouraged countervailing, central desk selling by the producers of some products.

Concentration in the processing industry used to be the main concern of producers. Now the processors also complain of a price-cost squeeze - in their case between chain buying on one side and collective producer selling on the other side. Chains have frequently been able to obtain price concessions, discounts or allowances from suppliers, especially smaller processors who are without national brands, on the basis of economies of bulk buying or the provision of services such as special advertising at retail. Some smaller processors have survived by undertaking to manufacture and pack private brands for the larger chains.

A concession by suppliers to one chain usually must be extended to all. These suppliers may then try to recoup their price concession to the chains by exerting a downward pressure on farm prices. Any price concession obtained at the farm level is rapidly transmitted to other buyers upon demand, and a distress situation and bargain hunting may develop.

The chains are interested in keeping their wholesaling costs down by low inventories and rapid turnover. Suppliers are obliged to keep large stocks and make frequent deliveries. Whether this makes for additional pressure on farm prices depends on whether the chains or the processors can do the wholesaling more efficiently.

Meats and produce are key commodity groups in supermarket merchandising because of their large sales volume and because customers tend to base their opinion of the store on the quality and prices of these products. The chain stores are such large retailers of meat that the meat packers have specially qualified salesmen at their central or regional offices to serve these customers.

The chains often price meat and produce (for example, broilers and pork, peaches and lettuce) as week-end specials to attract customers. Specials are usually confined to products that are widely accepted by consumers, are currently in large supply, are perishable and so must be moved quickly, and are consumed soon after purchase. If the special is featured by all chains, the sales volume can be greatly increased temporarily, and can clear a market glut. At such times, the sales of substitutes may drop. With frequent specials on broilers and pork, for example, beef producers and commission merchants complain of being left out in the cold.

Sometimes, a "special" is supplied on temporary concessional terms from the supplier; sometimes it merely reflects a shift to lower quality; sometimes it is in anticipation of a seasonal decline in prices; and sometimes the margin or markup is temporarily reduced. When obtained on concessional terms, the difficult question arises as to whether the price was lower than the market would bear and still clear. The chains maintain that they are not especially interested in low supply prices, providing their rivals have to pay the same. With perishables, it would be very difficult to discipline suppliers to hold a price line, let alone enforce a prohibition on "loss-leadering" of perishables by the chains.

So-called "loss-leaders" are usually limited to a few staples (such as butter, milk and bread). They are not confined to chain stores, as was pointed out to us by the Milk Industry Board. They are usually sold at low markups, but seldom at a loss. They are less likely than specials to be procured at a lower price. Any resulting increase in sales is likely to be a gain to the supplier, unless offset by a decrease in the sales of competing customers.

Our research staff made a statistical study of farm, wholesale and chain retail prices of chicken broilers in Toronto in 1959 to examine what effect the frequent week-end specials of that year had upon the broiler producer's price. Specials were substantial, being priced around 30 cents per pound, compared with a regular level of about 43 cents. The specials rarely occurred in one chain alone, but usually in two or three chains at the same time.

The broiler specials occurred during periods of high marketings. Consumer demand for broilers is responsive to price, so that a substantial drop in price during a special greatly increases sales. The chains cannot risk loss of goodwill by running short during a special; so they feature a special when the available supply is large. On the other hand, such a large supply should not be chronic because the advertising effect of the special depends upon a substantial drop in price from normal.

Apparently broiler specials are sufficiently valuable advertising to the chains to induce them to absorb most of the price drop by reducing their normal markup, because our study showed that neither farm nor wholesale prices tended to change much in response to the specials. Week-to-week price changes were relatively greater at retail than at the farm level. In other words the week-end specials moved large volumes of broilers without unduly lowering supply prices. The specials kept broilers in the public eye, helping to strengthen consumer demand for them.

(b) Price Making in Milk and Milk Product Markets

In 1959, cash farm income from all live stock, dairy and poultry products accounted for nearly 75 per cent of total Ontario cash farm income. Dairy products alone accounted for 21.3 per cent of Ontario cash farm income. Ontario dairy products account for about 35 per cent of Canada's cash farm income from dairy products.

Table 4 shows the per cent distribution in 1959 of milk shippers and volume and value of their marketings in each of the four main product groups - cream, concentrated milk, fluid milk, and cheese. It should be noted that the fluid milk and cream shippers are in opposite positions with respect to the number of shippers and value of shipments - the fluid shippers account for 15 per cent of all shippers but half of the total value of milk shipments, whereas cream shippers account for nearly half of all shippers but only 15 per cent of the total value of milk shipments.

For pricing and regulatory purposes, the dairy industry has long been separated into two distinct parts - local fluid milk markets, on the one hand, and provincial, national, or even international, markets for other dairy products, on the other hand.

Fluid Milk

Because fluid milk was a nutritious but highly perishable food which could not be stored long or transported far, and because fluid milk had no close substitute, isolated local markets or "milk sheds" developed. Under the circumstances, this was to be expected. Because pure milk was so important to the health of people, particularly children, safe standards of quality, and related regulations, developed, also on a local market basis. In other words, municipal and provincial legislation sanctioned the milk-shed unit of fluid milk market.

TABLE 4. PER CLNT DISTRIBUTION OF MILK SHIPPERS FOR VOLUME AND VALUE OF SHIPMENTS, BY MAIN MILK SHIPPER GROUPS IN ONTARIO IN 1959.

Shipper Group	No. of Shippers	Volume of Shipments	Value of Shipments
	Per Cent	Per Cent	Per Cent
Fluid	15	37	50
Concentrated	23	29	22
Cream	49	20	15
Cheese	13	14	13

Source: Cairncross, J., MacFarlane, D.L., and Wood, A.W., An Inquiry Into the Marketing and Pricing of Milk in the Province of Ontario With a Proposal for Equalization and a Producer Pricing Plan presented to the Milk Producers' Co-ordinating Board of Ontario, February 1961.

The pasteurization, bottling and retail distribution of fluid milk were licensed and regulated on the local market basis. This milk-shed approach was extended into the field of milk pricing.

The price of milk for the fluid trade was raised relative to non-fluid milk by means of higher quality requirements and by quotas on fluid milk deliveries. Surplus fluid milk was diverted, at lower prices, into non-fluid channels.

The volumes of fluid milk shipped per shipper and in total have been increasing with the growth in population. The number of fluid milk shippers has been decreasing. Buyer-dealers have also become fewer and larger. In 1959, 11,413 fluid milk shippers in Ontario faced a total of 579 licensed dealers (484 regular distributors, 48 producer distributors, 46 peddlers, and 1 distributor shopkeeper).

Producer prices for fluid milk are determined by a formula which takes into consideration changes in the following economic indicators: the general whole-sale price index for Canada; the average weekly earnings index for Ontario; the price index of commodities and services (exclusive of living component) used by farmers in Eastern Canada; the price index of butterfat in Ontario; the price index of milk for condensed products in Ontario; and the price index of cheese on the Ontario cheese exchanges. It is to be noted that the formula takes no direct account of increasing efficiency in dairying. The formula price is calculated before the 10th day of each month and an average is taken of the formula price of the current month and the two preceding months. If this 3-month average changes by 19 cents above or below the existing formula price, the price is adjusted by 19 cents effective the first day of the following month.

Since formula pricing was adopted in 1954 there have been three adjustments (November 1956, October 1957, and October 1959), all upward, in the producer price of fluid milk, bringing it to the present level of \$5.10 per 100 lbs.

The formula price is the effective price for the Toronto market. The actual prices may vary from milk shed to milk shed, because of differentials between local markets and the Toronto price. These differentials are negotiated on behalf of local fluid shippers' associations by the Ontario Whole Milk Producers' League. If no agreement is reached, it goes to arbitration. Although the Whole Milk Producers' League is not a marketing board under the terms of the Milk Industry Act, its price-negotiating function is recognized by the Milk Industry Board.

There is no regulation of milk prices at the consumer level, apparently because of active competition among distributors. Prices differ for the several different types of fluid milk, and there are quantity discounts. In spite of a substantial difference in costs, there is only a small differential between prices at retail stores and for home delivery. The trend is away from home

delivery but this is probably due more to the popularity of once-a-week shopping than to the higher price of home delivery. As mentioned earlier in this chapter, milk is sometimes priced as a "loss-leader" by retail stores.

According to the Report of the Royal Commission on Price Spreads of food Products, the Canadian farmer's share of the retail value of fluid milk in 1958 was 52.9 per cent.

Cheddar Cheese

In 1959, an estimated 10,127 cheese milk producers in Ontario shipped to 177 cheese manufacturing establishments, a few of which had combined creamery or milk manufacturing operations. There has been a conspicuous trend toward fewer and larger cheese factories. The number of cheese buyers has also been declining rapidly. In 1959 there were 30 licensed buyers of cheese. There are two cheese auctions or exchanges in operation.

Ontario has long been an important surplus producer of cheddar cheese. After World War II, sales to the United Kingdom were curtailed drastically by currency restrictions. Cheese production in Ontario declined sharply. The federal price support program and the Cheese Marketing Board rescued the cheese industry.

The Cheese Marketing Board bargains on behalf of cheese milk producers with cheese buyers for minimum cheese prices. The cheese factories usually are producer-co-operatives or act as agents of the producers.

The Cheese Producers' Co-operative operates for the Cheese Marketing Board as a licensed buyer on the exchanges. When the price approaches a minimum the Co-operative buys for cold storage, curing, and later resale. The Co-operative usually resells in export markets, notably the United Kingdom, and at a price usually lower than the price in Canada. Even so, Ontario cheddar sells at a premium price overseas because of the special flavour imparted by being made from raw milk. The cheese milk producers pay a levy of nine-tenths of one cent per pound of cheese to finance the two-price operation.

Over the long run the effect on the incomes of cheese milk producers of the two-price operation is reduced because of the diffusion of benefits over numerous non-contributors. Milk for cheese is attracted from other branches of the dairy industry in Ontario and cheese is attracted from other provinces, notably Quebec. The higher domestic price helps to attract substantial imports of cheese into Ontario from other countries.

Cream for Butter

In 1959, there were 38,098 cream shippers in Ontario and 183 creameries a few of which also processed milk. The trend has been to fewer and larger creameries.

After World War II butter replaced cheese as the major balancing factor in the dairy industry, and the federal government placed a support price under butter to try to stabilize the dairy industry. The price-making process in cream markets was simplified by the price support operations on butter. The Cream Producers' Marketing Board has therefore been rather inactive as a price negotiating agency.

In addition to federal price support and the butter quality problem which we discussed in Chapter 7, an important influence on this branch of the dairy industry has been the increasing competition from margarine and other substitutes. We return to this subject in Chapter 14.

In 1958, the Canadian farmer's share of the retail value of butter was 78.2 per cent.

Concentrated Milk

In 1959, there were 17,865 producers of milk for concentrated products in Ontario and 131 processing plants, some of which also made butter or cheese.

The Concentrated Milk Producers' Marketing Board negotiates minimum prices with processors. The bargaining power of this Board is undermined by the fact that surplus fluid and other milk finds its way into this market. A federal payment of 25¢ per 100 lbs. is paid to producers of milk for manufacturing who do not also deliver to fluid markets.

Provincial Milk Marketing

Over the years, the price differential between fluid milk and milk for other uses became conspicuous. In 1960, for example, the average f.o.b. plant price for raw fluid milk intended for the regular fluid trade in Ontario was \$5.16 per 100 lbs., compared with \$2.60 per 100 lbs. for milk for manufacturing.

In practice, it has proven impossible to maintain a complete separation between fluid and other milk markets, and abuses have arisen such as "kick-backs" by farmers to their dairies in order to retain or obtain fluid quotas. Apart from undercover erosion of the present pricing system, open dissatisfaction has been voiced increasingly by the non-fluid milk producers.

As long as fluid milk remained so perishable, and as long as no substitute of comparable nutritional value and flavour existed, the wide price differential and milk-shed marketing were enforceable. In the face of recent far-reaching developments in technology, however, this is no longer the case.

With refrigerated milk storage and improved and refrigerated truck transport, with the expanding sale of instant milk powders and of sterile milk possessing extended shelf life, local fluid milk markets and the wide differential exist only because of present legislation. Convenient, palatable, durable and inexpensive substitutes for fluid milk now exist. Consequently, local fluid markets are very vulnerable.

The existing milk marketing structure in Ontario is in danger of breaking down, unless obsolete legislation and institutions receive an early overhauling in order to bring them into line with existing technology and competition.

There is an urgent need to integrate the rest of the dairy industry with the fluid milk branch. Perhaps this should be done on a national scale, but that will take time because of interprovincial differences in outlook. The Enquiry Committee is recommending early inauguration of Ontario-wide marketing and pricing for milk. This recommendation implies that all primary milk marketing in Ontario would come under one marketing board. The provincial milk marketing board would negotiate minimum prices and regulate milk hauling from farms. (Also see Chapter 10 concerning milk transportation.) Consistent with a recommendation in Chapter 9, the provincial milk marketing board would be set up under the Ontario Farm Products Marketing Act.

Under the proposed province-wide system of marketing milk, all raw milk meeting a high "A" quality standard would obtain for each producer the same price, regardless of the use to which the "A" milk is put. The farmer's return from the board for "A" milk would be an average or blend of the various prices received by the board for "A" milk sold for all purposes, including fluid sales.

All other raw milk failing to make grade "A" but meeting a safe health standard "B" would obtain for the producer a lower price. The return from the board to the producer of "B" milk would be an average or blend of the various prices received by the board for "B" milk sold for all purposes, except fluid sales.

In other words, as far as the dairy farmer is concerned, the price differential between "A" and "B" milk would be based on quality, rather than on the use to which the milk is put. The prices of "A" and "B" milk would vary to the users in accordance with trends in demand and supply. Forward pricing should be used so that the industry would know for a reasonable time in advance what milk will cost. During a transition period, in which there would undoubtedly be some difficult adjustments to make (in prices as well as in public and producer institutions), the approximate blended "A" and "B" prices to producers should also be announced well in advance.

Ontario might have to be zoned with respect to prices to producers. For example, "A" and "B" milk prices would have to be higher in Northern Ontario than in Southern Ontario to enable even the more efficient dairy farmers in Northern Ontario to remain in business.

The net effect of price blending would likely be an incentive to over-produce. A uniform system of allocating quotas would be necessary, for the transition period at least. At present the basis of fluid milk quotas sometimes varies from market to market and from shipper to shipper, to the point even of some fluid shippers having an open quota or no quota limitation. The basis of fluid quotas should be standardized, and then "frozen" for a limited period, perhaps three years, in order to build up an equalization fund for the time when blending on "A" grade milk is introduced.

Milk price differentials should if feasible be based on solids-not-fat or protein content, as well as fat. Consumption trends clearly indicate the need for de-emphasizing butterfat. Meanwhile the butterfat differential for fluid milk should be tied to the current price of the butterfat (not as at present 35¢ per extra pound of butterfat for milk testing over 3.4 per cent).

The prices of milk to the different branches of the industry with the possible exception of the fluid trade would be negotiated by the provincial milk marketing board. Arbitration, if need be, would be carried out by the Agricultural Industry Board recommended in Chapter 9. Substantial scope would also exist for a vertical milk marketing association composed of representatives of all groups from producers through processors and distributors to consumers. This vertical milk marketing association would continuously study trends in demand and work out appropriate long-range plans for producing and marketing in accordance with these trends. The provincial milk marketing board should be alerted, for example, to consumer demands for special milk.

As an alternative to negotiation, the provincial milk marketing board might be able to retain formula pricing for milk for the fluid trade, providing the formula is revised to take account of increasing efficiency in dairy farming. Using a formula has been shown to be a fairly satisfactory way of reaching a mutually acceptable price.

In spite of the urgency of the need for provincial milk marketing in Ontario, it cannot be introduced overnight. An important step, which might require two or three years, would be to initiate more rigid quality control and inspection of all milk in Ontario according to grade "A" and "B" specifications. This would be desirable even if a vote of all milk producers should fail to endorse a provincial milk marketing plan such as we are recommending.

(c) Price Making in Live Stock and Meat Markets

In this section, we attempt an outline sketch of the main forces determining the market prices of hogs and cattle, pork and beef. Hogs and cattle alone accounted for about 39 per cent of Ontario cash farm income in 1959, in contrast with 21.3 per cent for all dairy products.

In the long run, the production decisions which tens of thousands of live stock farmers make, months or years in advance of marketing, determine the volume of marketings. These production decisions are mainly based on current

price-cost considerations, rather than a forecast of what price-cost conditions are likely to be at marketing time. The result has been alternating waves of over-production and under-production of hogs and cattle. These waves in marketing have caused alternating price swings in the opposite direction. Swings in beef-pork price ratios have caused temporary substitutions between them by consumers.

What seems to be required is a system of price forecasting, or perhaps even forward pricing, which could serve as a basis for long-range planning by producers and processors and for government policy. Forward pricing would require an agency such as the proposed vertical meat marketing association estimating in advance of the production-planning period the price that would equate supply and demand. The government would have to guarantee that producers receive at least a major part of the estimated price. A concerted attack on this cycle problem by all interested parties could greatly reduce its destructive force.

Upon the flowing and ebbing cycles in production and price have been superimposed short-run variations due to seasons, holidays, weather, epidemics, and promotional efforts. Weekly meat consumption tends to be less variable than live stock marketings, however; and so meat storage functions as a stabilizing influence on price. Underlying everything have been the long-run shifts in consumer tastes among beef and pork products and their closer substitutes mentioned in Chapter 2.

Hogs and Pork Products

Ten meat packing firms in Ontario account for about 80 per cent of hog purchases, and the remaining 20 per cent are purchased in unequal proportions by about 47 medium and small firms. The big four (Canada Packers, Swift, Schneider and Burns) account for about 56 per cent of hog purchases. There are over 50,000 hog producers.

Dissatisfaction with buying competition for hogs prior to 1941 led to producers organizing into the Ontario Hog Producers' Association. Producer returns did not improve satisfactorily, however, and so in 1946 they formed the Ontario Hog Producers' Marketing Board to negotiate prices and conditions of sale collectively with the meat packers. Since no price agreement could be reached with the packers, in 1953 the Hog Marketing Board assumed selling agency powers which it delegated to United Live Stock Sales. This was ineffective because United Live Stock Sales had selling control only over the small minority of hogs marketed through the Ontario Stock Yards at Toronto.

In 1955 the Hog Marketing Board set up its own selling agency with directional powers to assemble all hogs from farms at country points prior to central selling. The Board solicited bids by telephone from packers by areas on each lot of hogs or the packers phoned in their bids. When identical bids were received from two or more packers on a lot of hogs, the hog selling agency had to resort to some non-price basis for allocating the hogs. This method of selling became very controversial, and a teletype selling method has been adopted to incorporate the following principles outlined by the Ontario Farm Products Marketing Board: opportunity for all potential buyers to enter their bids, sale of each lot to the first highest bidder (meeting basic requirements of solvency and readily available slaughtering capacity); recording of all negotiations; and release of detailed information on hog supply.

The Hog Marketing Board has no control over the number of hogs produced in Ontario or brought into Ontario from Western Canada by the packers, it has no storage or packing facilities for this perishable product, and has not influenced consumer demand. In other words, it has had little or no power to raise the general level of hog prices. The operations of the Hog Marketing Board have tended to equalize prices over the province however.

In 1960, the Hog Marketing Board began to promote the establishment of a

central meat merchandising co-operative with a string of new regional meat packing plants. The objective of this centralized, co-operative meat packing and merchandising venture ("FAME") is to extend producer control of their members' product by vertical integration up to the wholesaling stage, and return any profits or losses to the members. The co-operative and the Hog Board should become completely separate organizations; otherwise the co-operative would be one in name only and could wield unrivalled market power derived from the Hog Board's delegated powers of compulsory agency selling and service charge deductions.

Concentration exists in the meat packing industry, but as we have said earlier in this chapter with respect to the chain stores, concentration enables but does not require monopolistic action. The larger firms have been in existence for some time and have heavy overheads; it seems likely that they have developed a self-conscious group price behaviour. More active buying competition seems to be provided by the large group of medium sized, but more specialized, firms. As far as selling is concerned, packers, corporate or co-operative, prefer to use means other than aggressive pricing to try to increase or maintain "their shares" of the retail market, especially in processed products, simply because of the uncertain outcome of a price war. This has always been limited, however, by the necessity of pricing perishable meats to clear the market. Also, the packers have had to compete in accommodating their operations and selling to the quantity, quality and packaging requirements of the supermarket chains.

The hog cycle has a recurrent duration of three to four years. Favourable prices resulting from a reduced hog run encourage heavy marketings one to two years later. The cycle is irregular, of course, due to shifts in feed prices and availability, market conditions, and federal price support programs. All other sources of inefficiency and waste in hog production and marketing become minor in comparison with the vast losses attributable to the hog cycle. We have already said that what is required is an improved system of price forecasting which could serve as a basis for co-ordinated producer and processor planning and government policy.

There is also a seasonal pattern of hog marketings and prices. Heavy marketings occur during October-December. Hog prices vary from six per cent above the yearly average in June and July to four per cent below average in November. Prices recover slightly during the first part of the year but fall again in April before recovering to the normal summer high. It is to be expected that, as hog raising technology improves and the number and size of specialized, year-round operations increase, seasonal variations in marketings and price will diminish.

Until 1960, minimum prices for hogs existed under the federal price support program, whereby hog carcasses were purchased for cold storage on government account when prices dropped to the support level. At such times other hog price-making forces ceased to function. The Ontario Hog Producers' Marketing Board blamed the 1958 and 1959 support level of \$25 per 100 lbs. as the incentive for the over-production that existed. It undoubtedly aggravated the over-production phase of the hog cycle, and it encouraged contracting.

In 1960, the federal price support on hogs was changed to a deficiency payment basis, under which the deficiency between a free market price and the support level would be paid by the government to the producer on 100 grade A and B hogs a year. The hog cycle was shifting into its under-production phase by 1960, however, and so virtually no deficiency payments were payable for 1960, and none will likely be payable for 1961. It will be 1962 and 1963 before it will become apparent how the deficiency payment system of support will work for hogs. It may be expected, however, to accentuate cyclical instability, compared with the purchase-for-storage type of support.

According to the Report of the Royal Commission on Price Spreads of Food Products, the Canadian hog producer in recent years has received (at the Stock Yard) between 55 per cent and 60 per cent of the retail price of pork. This

share used to be higher, but marketing costs have increased mainly because of more processing and packaging of cooked and smoked pork products, such as hams and bacon, which used to be sold in whole cuts but which now usually sell de-fatted, skinless, boneless, in small cuts or slices, and conveniently packaged in plastic.

Canada exports varying but significant amounts of special pork cuts to the United States, as we explain in Chapter 14.

Cattle and Beef

The four largest packers buy about 71 per cent of the slaughter cattle marketed through the Ontario Stock Yards. The number of beef cattle producers in Ontario is not available, but it is considerably less than for hogs. Dissatisfaction among beef producers with the price-making process has not been so marked as it has been with hog producers. The only beef farmer organization is the Ontario Beef Producers' Association which is a voluntary, advisory organization. The association told us that improved services in cattle marketing can be developed by producer co-operatives, but that co-operative cattle processing is not urgently needed because there are already a large number of competing packing plants.

The four channels for marketing cattle in Ontario are: co-operative and other commission agents at the Toronto Stock Yards; community live stock auctions, truckers or drovers direct to packing plants; and direct for export. Total Stock Yard marketings of cattle for all purposes account for less than half of all cattle marketings in Ontario. There has been a steady decline in the proportion of slaughter cattle marketed through the Stock Yards; in 1959 the figure was 48 per cent of inspected slaughterings. Since about 20 per cent of cattle are slaughtered in uninspected establishments, this means that about 38 per cent of all slaughtered cattle go through the Stock Yards. Direct receipts of cattle at packing plants account for an increasing share of slaughterings, now exceeding purchases through the Stock Yards. Some of the highest-priced cattle are bought directly from farmers by the larger packers. These packers can buy in the country at week-end and store the cattle for two or three days. The smaller packers cannot do this and so they start the Stock Yard's markets on Monday morning. Toronto Stock Yard prices still set the standard through the province, however, in spite of their obviously declining representativeness. Auction selling of cattle was started at the Stock Yards in September 1960.

Cattle marketings, like hog marketings, follow recurrent irregular cycles of under-production and over-production, with price moving inversely.

There is also a seasonal pattern of slaughter cattle marketings, with a peak period during October-November. The low period is February-April.

The Canadian farmer's share of the retail value of beef in recent years has varied between 54 per cent and 60 per cent. Additional services such as cutting smaller consumer-size pieces, pre-trimming and pre-packaging have contributed to a widening of the farm-retail price spread.

Beef prices have been above the federal price support level, except during the 1952-53 foot-and-mouth epidemic.

Cattle and calf exports from Canada to the United States reached an all-time high in 1958 and 1959 respectively. Beef exports were high in 1957 and 1958. Canada's imports of fresh, pickled and canned beef and veal have been increasing since 1950.

There are two main groups of beef cattle producers in Ontario: first and largest, are those who market a beef by-product of dairying or when extra roughage and feed are available; secondly, are producers who specialize in finishing grain-fed steers or in producing feeder steers. This second group

includes feedlot operators who cater to the quality requirements of the supermarket chains. These producers seem to feel that although the Stock Yards provides for the competitive sale of cattle, direct sales of premium beef to packers on contract will increase.

In general, calf marketing channels are similar to cattle marketing, but trends are different. Between 1954 and 1959 calf marketings and slaughterings declined in Ontario and prices rose. Packer-purchases at the Stock Yards for slaughter were maintained, however. The packers bought an increasing proportion of their calves from the Stock Yards; in 1959 the figure was 56.3 per cent. Community auctions and direct shipments to packing plants account for the rest. The four largest packers purchase nearly two-thirds of the total packer-purchase of calves at the Stock Yards. Calves are sold at the Stock Yards by the Dutch Auction method.

Seasonally, calf marketings reach a peak in April and the low period is December-February.

Community Live Stock Auctions

Community auction sales have become an important institution in live stock marketing in Ontario, and we expect their importance to increase. In order to gather more information on this interesting development, our researchers conducted a questionnaire survey of sales barns.

The number and average sales of community auctions have been increasing, especially in South-western Ontario where the cattle and swine populations are large. The total number of community auctions in the province reached 64 in 1960, a number which is probably adequate provided their average volume of business continues to increase. The larger sales barns tend to handle a larger volume of each main kind of live stock. Some of the small sales barns might do better if relocated.

Over half of the community auction sales are single proprietorships. Over one-quarter are limited companies, and one-sixth are partnerships. Only one sales barn is a co-operative, which is rather surprising since the barns depend mainly on local farmers for consignments, and also to some extent for buyers. The trend is for sales barns to become limited companies, which is to be expected as their volume of business and liability expand.

Community auction sales have shown a sequence of growth which can be described as four main phases. When first established, a sales barn provides an important market for animals moving between farmers in a community. In 1960, about one-quarter of the community sales were in this first phase. The opportunity for farmers to sell breeding and feeding stock to each other under competitive conditions close to their farm is important. Usually it is a market the farmer can understand and trust. He can provide most of the labour involved himself, by-passing the drover, he can use his own truck or trailer, and he is paid by the sales barn operator on the same day as the sale. Being close to home, the farmer can take his stock back if the price is not right. Community live stock auctions in the early days were not a reliable source of good breeding stock, but this situation is improving.

Drovers, dealers and auction sales operators require sales in large volume, in order to make it pay, and so this leads to expansion of auction sales into a second phase. Besides facilitating inter-farm trade, auctions can provide a ready market for stock that is surplus to inter-farm trade. Drovers find a ready market at community auctions for breeding and feeding animals which they have purchased individually from farmers. The auctions also provide dealers and drovers with a source of slaughter stock which has been consigned to the sale by farmers or drovers or even by the auction sales operator himself.

Of animals consigned to the auction sales, farmers consign 80 to 90 per

cent themselves. The average distance of consignments by farmers has been increasing. Farmers usually have a choice of two or more sales barns, but the majority of farmers do not regularly patronize more than one or two. There is a social and educational atmosphere at a community auction, reminiscent of the country fair. A small price differential between auctions therefore may not be regarded as significant by some farmers. A small side-line at community auctions is the sale of odds-and-ends in the parking lots prior to the commencement of the live stock sale.

Phase three is reached when the volume of sales at the auction has expanded further to accommodate larger purchases by dealers and purchases by local butchers. Phase four is reached when the volume of sales is enough so that large wholesale butchers and meat packers participate actively in buying.

Although the auction system imposes limitations on the number of animals that can be handled at one time, it would be unwise to be dogmatic about the upper limit of phase four. Generally, the large animals are sold one at a time, except for feeder cattle, but it is feasible to auction slaughter cattle and calves in groups. Some larger sales barns have two to four auctions in progress at a time, in separate rings. More specialized classes of stock and buyers are required for this. The main division comes when sales rings used for slaughter animals are separated from sales rings for animals returning to country points. Community auctions which have a small sales volume operate in the evening for the convenience of local farmers, but as the volume increases selling has to start earlier in the day. It is possible that still larger sales will require two days a week in coming years.

The increasing popularity of community auctions with farmers has reduced the traditional business of drovers who are usually by-passed in the off-farm trade. Some drovers have gone out of business, some now buy at the auction for re-sale at the Stock Yards or packing plants, and some ex-drovers now truck live stock from sales barns for packers.

Over 90 per cent of the cattle sold for slaughter at community auctions go direct to packing plants, and these account for a large part of all direct receipts by packers. The representativeness of the Toronto Stock Yard price and the validity of its use as a standard for auction prices of slaughter stock is decreasing. The prices of replacement stock vary depending on quality and local market conditions. Larger farmers and drovers who move from one sale to another inject some conformity into auction prices.

Sales barns come under the Ontario Live Stock Community Sales Act of 1959, and accompanying Regulations. This legislation was greatly needed. It governs the licensing and bonding of the operator, inspection of sanitary conditions, separation of live stock for slaughter from other animals, examination of facilities and animals by a veterinarian before sale, separation of diseased stock, facilities for watering, condition of buildings, provision and condition of scales, prevention of overcrowding, and keeping of records of sales. For licensing purposes, community sales are divided into two classes - annual gross sales above and below \$75,000, with the licence fee for the former being twice that of the latter.

In spite of improvements, opportunities remain for disease to spread to stock returning to the country. There are common unloading doors, and "separation" in pens usually only involves the use of a slatted wooden fence. "Overcrowding" remains a difficult matter of judgment for the veterinarian or inspector. With the increasing volume of sales at auctions, the consignor stands to suffer losses from injury and shrinkage of his animals due to overcrowding. The condition of animals ought to be better than at the Stock Yards because they are not hauled so far, and they are in the auction sales barns for a shorter interval. If overcrowding were eliminated, the condition of animals in sales barns would be quite good.

Quality control remains a problem. When the veterinarian discovers disease

in an animal, this is announced before the bidding starts, otherwise it is a case of "let the buyer beware". It is said that the quality of slaughter cattle offered for sale at most sales barns is not as good as at the Stock Yards or as shipped directly from feedlots to packing plants. Some people think that announcing the name of the consignor of each sales lot prior to bidding would help to encourage the consignment of better quality animals.

The control of quality of live stock for return to farms is more complicated than for slaughter. The veterinarian visually inspects all live stock for disease, but, as explained, there are opportunities for disease to be caught while at the sales barn. A larger volume of farm-to-farm trade could be built up if more adequate means of separation between healthy and diseased stock could be devised. This would likely require expanding and remodelling the sales barns. Agricultural engineers as well as veterinarians could make a real contribution here.

The weighing of animals at sales barns leaves something to be desired, but the consignor is better off than when he had to "out-guestimate" a drover at the farm. The accuracy of the scales comes under the federal Weights and Measures Act, which means that their accuracy is checked officially once a year only.

Competition among auction sales barns has tended to force commission charges down. This has helped farmers, but it has worked to the disadvantage of some smaller sales barns which now need a larger volume to cover fixed costs. The typical selling commission is three per cent, but frequently lower, and occasionally higher, rates are charged, depending on the competitive situation. Sales barns are usually far enough apart that each has an exclusive area from which to attract live stock, but there are overlapping fringe areas.

Community auction operators advertise and solicit business, and they have been known to forego commissions, to guarantee auction prices, to provide pick-up and delivery and even credit. Increasingly, community auctions are publishing auction prices. These published auction prices are a big help to farmers who must understand the value of their consignments if they are to market their stock at the best time, best price, and be satisfied with their returns.

Farmer purchases at sales barns have increased but not as fast as total sales. Drover purchases have been losing ground rapidly to packers. The range in purchases by any one of these groups varies widely from sale to sale, but is mainly a function of the size of the sale. The distance to large markets and the day of the sale are also important. Generally packer purchases are small where the sales are small, where the volume of slaughter cattle is small or irregular, and where the sales barn is located close to a city so that wholesale and retail butchers are likely to be volume buyers.

At most sales, cattle for slaughter are sold by the pound and cattle returning to the country are sold by the head. Which of these two practices is followed depends mainly on local custom and the demands of buyers. Farmers usually do not make the choice between selling by the pound or by the head at the sale but previously when they decide which sale to attend. Occasionally, per pound and per head prices drift far enough apart that a skilled buyer can profit through buying in one way and re-selling in the other way.

(d) Price Making in Egg and Poultry Markets

The per capita consumption of eggs and poultry has been increasing. The rapid increase in rate of poultry meat consumption can be attributed in part to product improvement and in part to declining poultry prices. Farm cash income from poultry and eggs accounted for 14 per cent of Ontario farm cash income in 1959.

Egg production used to be a side-line activity on most farms, and chicken meat was largely a by-product of egg production. These enterprises are becoming

separate, large and highly-specialized operations. A part of the producing sector of the industry is integrated with the hatchery, feed, processing and grading sectors. Further integration in the poultry and egg industry can be expected because of economies of scale and the advantages of assured supplies, markets, and uniform quality. Perhaps 65,000 farms in Ontario still produce eggs or poultry for sale, however, and probably only 10 per cent of these would not be egg producers. Some poultry meat still is a by-product of egg production, but the effect on poultry meat prices is not great.

Eggs

During the past decade, Ontario accounted for over 40 per cent of Canada's egg production. Eggs are mostly consumed in their original form, but a small volume goes for drying and freezing.

There is no terminal market for eggs in Ontario. A few consumers buy eggs directly from the farmer, and some buy from independent retailers, but most buy through chain supermarkets. Nearly 59 per cent of Ontario eggs were marketed through registered grading stations in 1959. The grades for the registered grading stations are established, and the facilities approved and supervised, by federal authority. The two largest chains operate their own egg grading stations. These chains also often buy on contract from a few large, reliable producers, who do their own grading, thereby by-passing the wholesalers completely. Other stores may buy from commercial grading stations (wholesalers), or jobbers. Wholesaler dealers or jobbers usually supply eggs to the processors and to restaurants and bakeries. The United Dairy and Poultry Co-operative is a federated co-operative wholesaler that centrally grades and distributes eggs collected from member co-operatives. This Co-operative also contracts directly with some member egg producers who supply a premium quality branded product.

Prices are based on the wholesale prices for graded eggs reported daily by the federal Department of Agriculture and gathered from a few large grading stations including the two operated by chains. The representativeness of these prices made by the egg-grading wholesalers is becoming questionable as direct buying by retailers increases.

Extreme seasonal fluctuations in production and price have characterized the egg industry, with heavy marketings in April-May and light marketings in the July-October period. There has been a pronounced trend toward the levelling out of these seasonal variations, however. This has resulted from improvements in breeding, feeding and management of poultry. As more eggs become available in the formerly light marketing months, less storage is required. Egg prices are less likely now to exceed or fall short of the price range (43 cents to 63 cents a dozen at retail) which, in the opinion of some chains moves eggs in the largest volume. Some egg producers are currently seeking a plebiscite on an egg marketing plan with agency selling powers to try to stabilize prices week by week.

The Canadian farmer's share of the retail value of Grade A eggs declined from 80.8 per cent in 1951 to 73.1 per cent in 1958.

The federal government supported egg prices at 38 cents for a number of years. From May 1959, the Agricultural Stabilization Board offered to purchase shell eggs on the basis of 44 cents per dozen for Grade A large and extra large, graded and packed in Montreal, with differentials for other markets in Canada. The support price at Toronto was one cent less than at Montreal. Purchases piled up and the price support was changed in 1960 to deficiency payments, limited to 4,000 dozen Grade A large or extra large a year per producer.

Canada's exports of shell, frozen and dried eggs have been substantial in recent years, but our stocks have remained high. Canada has also imported substantial amounts of baby chicks and shell eggs in recent years.

Poultry Meat

The trend toward specialization in the poultry industry is especially prominent in chicken and turkey broilers, where breeding, hatching, feed mixing, growing, eviscerating and packaging are carried out by separate large-scale firms. The outcome has been scientific, year-round volume production, and lower production costs. During the last decade, Ontario accounted for about 64 per cent of Canada's chicken broiler production. Ontario's turkey meat production in 1959 accounted for 39 per cent of the total for Canada.

To reduce capital requirements, supply and market risks, and keep feed mills, hatcheries and processing plants operating near capacity, various types of agreements or contracts have been devised to link up the planning and decision-making of broiler producing and marketing firms. The most popular form of contract for chicken broilers is a four-way agreement between hatchery, feed company, processor and farmer. The feed company supplies feed on credit or guarantees a bank loan, arranges with the hatchery for supplying the chicks, gives directions to the farmer for raising them, and arranges with the processor for disposal of the birds. As far as price is concerned, the grower is provided with what is referred to as a "three cent" guarantee - he receives a minimum price of (say) 20 cents per pound when eviscerated broiler prices are from 17 to 20 cents; for prices below 17 cents, the grower receives three cents more than the market price with the three cent differential being borne jointly by the feed company, hatchery and processor; part or all of any market price above 20 cents would go to the grower.

The number of specialized poultry meat producers in the province was not available to us, but the number might exceed six thousand. This number includes a few very large producers, however, and numerous very small producers. There were 12 main poultry processors in Ontario in 1959, the top five of which account for a large share of the processing business. One of these is owned by the United Co-operatives of Ontario, a major feed producer and contractor. Although the supermarket chains do not own poultry processing plants, chain purchases are important, as we saw earlier in this chapter in connection with week-end broiler specials.

The proportion of poultry marketed through registered grading stations has been increasing rapidly; the 1958 figure was 60 per cent. In general, the processors who operate the registered grading stations buy live birds from the producers. Evidently, a processor establishes his broiler prices by contacting all major buyers and then deciding on the price he is prepared to pay to the producer. After the birds are killed, dressed, eviscerated and chilled, they are graded and weighed. They are then inspected by the inspection service of the Canada Department of Agriculture. Most of the poultry is then sold by the processors acting as wholesalers to retail outlets and restaurants. Some processors, especially turkey processors, also market through jobbers.

As with eggs, the seasonal production and price patterns of broilers have been moderating. Marketings are higher than average during June to November. The general level of farm prices of broilers varies from about five per cent below the annual average in December to four per cent above in May-June.

The Canadian farmer's share of the retail value of broilers declined from 62.7 per cent in 1953 to 57.6 per cent in 1958. The farmer's share of the retail value of broilers in Toronto in 1958 ranged from 51.8 per cent in October to 66.5 per cent in March.

The federal government has had a low support under turkey prices, which did not result in any government purchases for storage but did permit Canada to impose import restrictions in 1957 (Chapter 14). From January 1960 the Agricultural Stabilization Board offered 20 cents per pound, live weight, at Toronto for No. 1 turkeys weighing 10-20 pounds.

Canada has imported substantial amounts of chicken and fowl and baby chicks in recent years. The Ontario producer organizations have pressed for raising

the Canadian tariff to equal that of the United States. United States production of broilers is 25 times that of Canada, and so a small surplus from there can damage our prices.

(e) Price Making in Fruit and Vegetable Markets

In 1959, farm cash income from fruits and vegetables (excluding potatoes) accounted for 6.7 per cent of total Ontario farm cash income. Ontario accounts for about 45 per cent of Canada's farm cash income from fruits and 61 per cent of Canada's farm cash income from vegetables.

For present purposes, the fruit and vegetable industry can be divided into fresh and processed markets. The marketing channels are different for fresh and processed fruits and vegetables, and the price-making forces, although related, are not identical. Almost 40 per cent by value of Ontario fruits and vegetables is processed. This varies considerably from commodity to commodity, of course.

Fresh Markets

There are 14,000 to 15,000 fruit and vegetable growers in Ontario. In the fresh market, the growers act individually in selling their perishable produce, except for fresh peaches for which a marketing board with agency selling exists. The grower of fresh fruit and vegetables can sell on farmers' markets or direct to consumers, but most of the produce goes to half of the 500 to 1,000 licensed dealers (truckers, shippers, jobbers, commission agents and service wholesalers) or directly to the supermarket chains.

The Ontario Food Terminal in Toronto provides a central market at which growers can dispose of their produce through dealers or commission agents or sell it themselves in season in the outdoor farmers' market there.

Prices at the Food Terminal serve as guides throughout the province. An employee of the federal Department of Agriculture collects price quotations at the Terminal during a period of each morning and transmits them on teletype to the press by 11 A.M. The quotations cover a range of high and low prices for each product for the period of collection. Since prices are highly variable, the quotations may not be representative of the supply-demand situation for the day. The three Toronto daily papers publish three different sets of prices in any one day, which can have a demoralizing effect on a market that is characterized by speculative dealings and close bargaining. A need obviously exists for improving the collection and reporting of produce prices.

Factors affecting prices are the size of the crop, harvesting weather, imports, price for processing, and the relative bargaining power of growers, dealers and retailers. Produce growers often have to sell on the "open ticket" which leaves them very vulnerable. Some produce is imported even during our peak marketing season when the tariff is higher. The structure of freight rates also affects inter-regional competition, as we show in Chapter 10.

It is difficult for produce growers to organize effectively for collective bargaining. The perishability of product, the frequent daily and seasonal fluctuations in marketings and prices, and the large number of dealers make central control very difficult. Nearly all fruit and vegetable growers selling to processors bargain collectively under marketing boards, however, and their prices tend to set a floor for the fresh trade. Fresh produce growers who have access to the processed market are in a stronger position. If produce prices fall below negotiated processed prices, however, processors press for new price negotiations.

Because economical processing depends upon supplies being reliable in flow and quality, processing cannot be counted on to take up varying slack in the fresh produce markets. The fresh produce markets still have the two problems

of what to do with the excess from a bumper crop or temporary gluts, and what to do in any season with the low grades. The present practice of dumping the excess and low grades on the Toronto market, where prices are set, is hardly good enough.

Produce growers and dealers would like to organize to prevent distress selling and to increase their power of bargaining with the chains. An example is the Fresh Peach Growers' Marketing Board. The aims of this Board to have peaches of uniform quality reach outlets with continuity of supply and steady prices have not yet been fully achieved. The Board has succeeded in improving handling, however, by introducing the new master container and by requiring all long-distance shipments to be pre-cooled.

As an alternative to compulsory collective action by growers, the apple packers have been experimenting since 1959, so far successfully, with a voluntary association. The aims of the Apple Packers' Association are to work closely with producer groups to stabilize apple marketing by voluntary collective action, to study market conditions and evaluate the competitive situation facing Ontario apples, to formulate realistic prices, and to disseminate information to members and growers. The vital co-operation of the chains has been forthcoming. The chains insist that they are more interested in continuity of supply and uniform quality than in low prices, providing a rival cannot buy more cheaply and then undersell them.

Apple marketing has become more orderly under the influence of the Packers' Association, and retailers have the advantage of knowing in advance what apples are going to cost them. The Association has found that it must price apples realistically in relation to rival sources of supply such as Quebec, New York, and Michigan. The Apple Packers' Association has no central packing or control over quality.

Processed Markets

About 44 per cent of Canada's fruit and vegetable processors are located in Ontario and they account for 68 per cent of the value of fruit and vegetable processing in Canada. Ontario growers for the processed market face a few large, and some smaller, buyers. The growers of all major processing crops except apples have organized in marketing boards for the collective negotiation of minimum prices. (The asparagus and bean growers' marketing boards have limited selling agency powers.) The negotiating committee of a marketing board meets the representatives of the processors in advance of the crop season to bargain collectively for minimum prices, terms of contract and conditions of sale (handling, storage, transportation and other service charges). The larger processors also contract individually for their supplies, in advance of the growing season. The processor then can specify the variety, and supervise and assist during the growing season in order to get the quality desired.

These marketing boards seem to have worked well for the processor as well as grower. The boards have helped to stabilize the processed markets, providing equal treatment among growers and encouraging quality control and improvement. The processors object, however, to the amount of licensing and policing powers delegated to the boards.

The chains are increasingly by-passing the wholesalers and dealing directly with the larger processors. Processors are being expected to do more warehousing for the chains and make advertising allowances. The small processors are less able to comply with these requirements. Some survive by processing under chain labels. Pressures on the processors are likely to be transmitted back, in some form, to the growers.

The amounts of canned and frozen fruits and vegetables of domestic origin have increased slowly in contrast with the rapid rates of increase in imports. Exports are not keeping pace. The attitude of fruit and vegetable processors

to buying domestic supplies, on the one hand, and to exporting Canadian produce, on the other hand, is becoming of increasing importance. All of the large processors in Ontario now are subsidiaries of United States companies. In view of this, the fate of small Canadian processors who are being squeezed out is a matter of importance to us.

Products which can be produced more cheaply by the United States parent companies find their way into our markets. Chain stores, brokers and wholesalers import processed products. Processors import raw and semi-processed produce for further manufacturing here. There is a danger that exporting efforts may be confined to the parent processing companies.

In some instances our quality and packaging are at fault as much or more than our costs of production and processing, as we pointed out in Chapter 7. Another factor contributing to increasing imports from the United States may be their advertising images broadcast over our mass communication media. Our large chain stores are nearly all Canadian and there is no reason to think that they would prefer United States processed foods - quality, price and volume being equal.

(f) Summary and Recommendations

In this chapter we examined the market structures of the main groups of farm products and of some important individual products produced in Ontario, and described the process by which prices seem to be determined in these markets. We began at the retail level with the supermarket chains because demand at the farm level is derived from the demand of consumers at retail, and because the supermarket chain is probably the most influential business unit in food marketing today.

We found that horizontal and vertical integration in food retailing and wholesaling have been increasing in Ontario. One or two large chains have extended their influence into processing and even farming. With rising personal incomes and increasing concentration, price competition in food retailing appears to have been displaced by other forms of competition, such as associated services, as a primary means of drawing customers. We may be entering a period of increasing price competition in food retailing, however, which could be to the benefit of consumers but could lead to increased pressure on farm prices.

Meanwhile, low supply prices appear to be less important to the chains than assured, large-volume supplies of uniform quality - always providing that a rival chain does not get its supplies for advertised specials at a lower price. The importance to producers of orderly selling is obvious.

The increasing size of chains and their preference for dealing centrally with a few, large, reliable suppliers have encouraged the expansion and merger of suppliers, including co-operatives. Chain buying has encouraged counter-vailing, central-desk selling by the producers of some products. The tendency toward direct supplier-chain arrangements reduces the representativeness of wholesale prices and may increase their instability.

The large price differential between fluid milk and milk for other uses cannot be maintained indefinitely. The existing milk marketing structure in Ontario is in danger of breaking down, unless obsolete legislation and institutions receive an early overhauling in order to bring them into line with existing technology and competition. There is an urgent need to integrate the rest of Ontario's dairy industry with the fluid milk branch for marketing, pricing, and quality purposes.

Hogs and cattle together account for considerably more farm income in Ontario than do dairy products. In Chapter 8, we discussed various price-making forces in the markets for hogs and cattle, pork and beef, and gave special attention to community live stock auctions.

Hogs and cattle are plagued by recurrent cycles of over-production which are very wasteful. What is required is an improved system of price forecasting, or even forward pricing, which could serve as a basis for producer and processor planning and government policy. A concerted attack on this cycle problem by all interested parties could greatly reduce its destructive force.

Poultry and egg production are becoming separate, large and highly specialized operations. Part of the producing sector of the industry is integrated with the hatchery, feed, processing, and grading sectors. Further integration in the poultry and egg industries can be expected because of economies of scale and the advantages of assured supplies, markets, and uniform quality.

We recalled from Chapter 7 that quality control and containers are problems in the fruit and vegetable industry. For purposes of studying price-making processes in the fruit and vegetable industry we considered fresh and processed markets separately. The importance of orderly marketing of fresh produce is great, but there are also great difficulties confronting effective collective action by growers.

In processed fruit and vegetable markets, our main concern is for the future of production for processing in Ontario in the face of mounting imports.

Our recommendations arising out of Chapter 8 are as follows:

1. The various sectors of the agricultural industry in Ontario, through the vertical commodity marketing associations and Agricultural Industry Board (proposed in Chapter 9) should co-operate to increase knowledge, efficiency and security in marketing. Producers and producer groups have more to gain than to lose from coming to terms with the requirements of supermarket chains for large, reliable supplies of uniform quality and uniform pricing. Forward pricing is one of the tools available to the agricultural industry for jointly accomplishing greater security in marketing.
2. A better-integrated, more uniform and fuller reporting of sales and prices in the various farm product markets is urgently needed. The responsibility for seeing that this service is performed lies with the Ontario Department of Agriculture.
3. We recommend that the collection of all milk from farms, the negotiating of all milk prices with the various branches of the industry, and the payment of blended prices to grade "A" and "B" milk shippers be undertaken as soon as possible, and in stages if necessary, by a province-wide producer milk marketing board, along the lines indicated in Chapter 8.
4. We recommend as an essential step to province-wide milk marketing that all milk shippers be classified as grade "A" or "B", which would involve inspection as recommended in Chapter 8.
5. The various interest groups involved in producing and marketing hogs and pork products should pool their knowledge and set up a statistical service providing outlook estimates of hog numbers and prices in order to reduce the wide-spread wastes of the hog cycle. The same should be done by beef producing and marketing interests.
6. In view of the increased volume of sales at community live stock auctions, which may endanger live stock quality, we recommend that improved standards to prevent overcrowding, and of separation of healthy and diseased animals, be inserted in the Regulations for enforcement under the Live Stock Community Sales Act. We are confident that improved standards can be formulated by veterinarians and agricultural engineers.
7. The security of sellers and buyers at community live stock auctions could be increased by the following two suggestions which we are recommending be given early study by the Department of Agriculture:

- (a) That the consignor's name be announced before commencement of bidding.
- (b) That more formal arrangements be made for the weighing of animals, and that weigh scales be checked more frequently.

- 8. More fresh fruits and vegetables should be handled, packaged, shipped and sold collectively with central or co-ordinated warehousing, and less should be sold individually on the open market.
- 9. In view of the increasing importance of variety and maturity in fruits for modern processing and the need for planned expansion, growers of fruit for processing and processors should study the feasibility of negotiating long-term contracts. Prices could be negotiated (through the medium of the vertical marketing associations proposed in Chapter 3) early in each season and related in a sliding-scale fashion to yields.

CHAPTER 9 - MARKETING FARM PRODUCTS

We are concerned in this chapter with the relative merits of different systems which are at present used by Ontario farmers in marketing their products. By "merit" we mean the ability to meet the needs of farmers for steady, rewarding markets while efficiently channelling into consumption farm products that are in demand. A system which performs the marketing of one product well may not suit another product or even the same product at other times and places.

The ways in which Ontario farm products may enter into marketing channels at the point of first sale are considered in the present chapter under the following five alternative systems: the individual farmer; co-operatives; marketing boards; contracting; corporate farming. We then proceed to our proposals for a fresh approach to marketing farm products in Ontario.

In a truly competitive economy, resources would be allocated by free prices in such a way as to bring the greatest welfare to producers, marketing agents and consumers. This, however, is not the kind of economy in which we live. With the imperfections of our actual economy, the price system often fails to channel resources into their most efficient use. Imperfections may arise from (among other causes) the ability of strong interest groups to influence the operations of the market in ways which may not benefit other groups or society in general.

In agriculture there are a large number of small operators, each contributing a very small share of total output, while the initial buyers of agricultural products are relatively few in number and large in size. Faced with this unbalanced market structure, individual farmers are at a disadvantage for two main reasons. First, since so many independent production decisions are involved, a farmer is unable accurately to assess market conditions, which depend upon the decisions of all producers. When all decisions for a production period become known, and an estimate of market prospects is made, it is then too late for an individual farmer to make adjustments in his production plan. This market uncertainty which faces individual farmers, coupled with the insecurity associated with natural conditions of production, leads to swings in the total volume of output and in prices.

Secondly, the buyers of farm products, because they are large and few, tend to maintain inflexible margins and can exert a downward pressure on farm prices. The buyers are sometimes able to postpone making firm purchasing commitments until a supply-demand picture becomes clear. The weak bargaining power of the individual, unorganized farmer, and the perishable nature of most of his products, make him a passive price-taker.

These are two important causes of low and unstable farm prices and incomes. Farmers have sought therefore to exert countervailing pressure on the markets for their products by organizing themselves for collective selling. They have linked horizontally into commodity groups by means of co-operatives and, more recently, marketing boards. They have sought to increase the farmer's share of the consumer's dollar by collectively undertaking the handling and processing of some of their products. Some farmers are finding it worthwhile to contract vertically with other links of the marketing chain. A few corporations have been formed for the production and marketing of certain farm products on a large scale. These large firms usually own processing facilities and are linked in some way with large retail outlets.

The development of closer vertical linkage between the production and marketing of farm products has come largely in response to changing technology and the needs of modern retailing. The chain supermarkets, catering to concentrations of population, require a large volume of uniform quality products on a continuous basis. The bulk movement of farm products has been facilitated, as we have seen, by more automated methods of production, assembly, storage, processing, packaging and transporting. Modern food marketing requires a high

degree of both specialization and standardization, and production has to be geared increasingly to the economies of large-scale operation and specification buying.

(a) The Individual Farmer

Over the years the individual farmer has shifted from producing sufficient food and fibre for his family's needs to producing primarily for a commercial market. As an individual he is playing a diminishing role in the selling of his product. Acting alone, the individual farmer typically operates on too small a scale either to be a bargaining match for the few, large buyers or to satisfy their mass merchandising requirements.

The individual farm has evolved from a unit capable of providing most of its own services of production and marketing to a cash business which must specialize in the production of one or a few products for a discriminating market. As marketing services increased in number and complexity, they passed from the hands of the individual farmer to those of specialized, commercial marketing agents. Modern marketing requires a large volume of sales to be economical, and the ordinary farmer individually has access neither to the know-how nor the capital needed to succeed in these operations. Except where they take collective vertically-integrated action, ordinary farmers will likely continue to play a declining role in the marketing of their products.

A few opportunities remain for individual farmers to divide their time between producing and marketing their own products. Such opportunities are usually confined to products requiring little processing, to favourable locations where it is possible for the farmer to operate roadside stands, to situations where he can do his own packing and make direct deliveries to retail outlets or engage in house-to-house peddling. Examples might be eggs or fresh fruits and vegetables. A large farmer could still operate certain processing facilities of his own, such as a dairy, or a freezing plant for produce.

(b) Co-operative Marketing

The shift away from individual to collective farmer action in marketing agricultural products first took a co-operative form. Co-operatives operate as democratic, self-help organizations under the broad guidance of principles laid down over 100 years ago. Farm supply and service co-operatives aim to provide goods or services for their members which would not be available, or would not be available as cheaply, through regular business channels. The specific aim of marketing co-operatives is to provide members with more efficient services for assembling, processing or distributing their products, and any savings are passed back in dividends to patron-members.

While co-operatives operate primarily for the benefit of their members, they also provide an alternative market outlet for non-members. Insofar as the existence of co-operatives tends to stimulate competition among business rivals, non-members would derive direct benefits in the form of better prices. Co-operatives are unlikely to raise prices for long without control over most of the supply. Co-operative members, and society in general, may also benefit from improvements in product quality and from the educational activities of co-operatives.

Co-operatives can reduce costs where marketing or supply services are being duplicated by a large number of inefficient firms or where a few firms are making abnormal profits. Co-operatives may, by consolidation, set up more efficient firms, or, by competing with monopolistic rivals, reduce profit margins.

Co-operatives in Ontario are organized in local and central bodies, and offer a wide range of opportunities for reducing marketing costs. In practice, however, their success depends a good deal on the active participation and loyalty of members and on the capacity and efficiency of management.

Although the value of co-operative farm marketings in Ontario has increased by more than 40 per cent over the past decade, and although membership almost doubled so that most Ontario farmers participate in some form of co-operative activity, still only 20 per cent of cash farm income comes from co-operatively marketed products. There remains, therefore, plenty of opportunity for more co-operative marketing - in assembling, processing, wholesaling, and retailing. Although co-operatives may encounter problems in financing expansion, they are exempt from income taxes during the first three years and on patronage dividends (whether paid in cash or retained for expansion). Loans are available to co-operatives from the Ontario government under the Co-operative Loans Act.

Co-operatives provide farmers with a sound basis for integrating forward into marketing. When local co-operatives join hands to form strong centrals, they are able to engage in most economic activities in competition with corporate firms. Efficient management has sometimes been a problem in the past, but this has been largely overcome by the recruiting and training of top-notch talent. The central co-operatives can gain strength and stability by participating in national, and even international, associations.

It has been claimed frequently that the family farm is threatened by the rise of contract farming and large corporate farms. If this is true, then family farms possess a strong defensive weapon in co-operative marketing. They can gain, in this way, many of the advantages of large-scale marketing operations without serious loss of independence by the individual farmer. Co-operative ownership of marketing facilities also serves to keep producer members better informed of developments and problems in marketing.

Co-operatives are not without problems. They need to integrate forward and backward in step with business trends, but as they grow more like other business operations there is a possibility of the control slipping out of the hands of rank-and-file members into the hands of wealthier and more aggressive members and expert management. Inroads are being urged into the "one member, one vote" principle in the direction of more voting representation for larger investors and larger producers - that is, voting according to participation. It is said that this, along with greater operating control by highly competent management, is necessary for business success. Traditionalists warn, however, that no matter how profitable a co-operative is it will have failed if it does not change the lives of its members for the better in ways recognizable to them. The younger generation of co-operators may also enjoy a satisfying sense of involvement, but is placing more stress on business success and less on social philosophy.

(c) Marketing Boards

Marketing boards are a relatively recent system of agricultural marketing, having started in the deep depression of the 1930's. They have increased quite rapidly, however, until it is now estimated that 75 per cent of Ontario farmers participate in some marketing plan and that 50 per cent of the farm value of Ontario farm products comes under marketing boards. The selling activities of most of the 18 boards, covering 31 products, in Ontario are confined to the negotiation of minimum prices and of conditions of sale. The hog and fresh peach marketing boards have selling agency powers. A few other boards have limited selling agency powers. By "limited agency power" is meant having the legal power to appoint an agent to buy and sell their product on their behalf alongside other buyers. The agent appointed has sometimes been an existing co-operative.

The demand for legislation to permit farmers to establish marketing boards arose mainly from the inability of co-operatives to control the supply of products for purposes of bolstering falling prices. Federal, and then provincial, legislation was secured enabling a certain majority of producers of a product to force all producers to participate in a marketing plan. The objective was to secure enough bargaining power directly to influence prices by negotiation, by restricting supply, or by compulsory selling on behalf of all of the producers.

The purpose of marketing boards as stated in the legislation is to control and regulate marketing and promote efficiency, but these are wanted not only for their own sake but for the purpose of obtaining higher and more stable prices and incomes for producers. Because their compulsory powers derive from the public through the legislature, they are answerable to the legislature. Marketing boards therefore have to be prepared to be judged on a basis broader than their ability or otherwise to raise farm prices. The objective of marketing efficiency concerns the welfare of all members of the marketing chain from the producer through to the consumer. To call marketing boards "self-help" organizations is rather misleading because their compulsory power is delegated from the public domain. Nevertheless, it must be recognized that for many rank-and-file members of marketing boards the sensation of self-determination has been gratifying. Marketing boards have also provided a worthy challenge and an outlet for powerful organizing urges of some farm leaders.

In its attempts to raise and stabilize farm prices and incomes, a marketing board may take any one or more of four approaches, depending upon the nature of the product, the structure of the market and the share of the market controlled by Ontario producers. In the short run, farm prices might be raised by obtaining higher consumer prices, or by lowering the rate of profit in marketing, or by reducing the costs of marketing, or by increasing the demand, or by some combination of these. In the long run, higher prices would tend to draw forth increased production and choke off some sales by increasing sales of substitutes and by attracting supplies from rival producing areas. The higher prices could be sustained only by some form of production control on all competing products, in all rival producing areas, and along with tariff barriers or quotas on imports. Even then, the familiar tendency for higher prices to be capitalized into higher land values as farms turn over and taxes rise tends to leave producers without lasting benefits. The "price-cost squeeze" sensation then returns to farmers.

In any event, the securing of higher prices is significant mainly as a means of securing higher farm family incomes. Higher net incomes for farmers can be obtained by any one or more of the following: higher prices, lower production costs, or expanding sales at the expense of rival producing areas or competing products. The ability to achieve lower costs of production mainly determines the degree of success in capturing a larger share of the market, but marketing boards have not concentrated their efforts on realizing lower costs of production. Achieving lower costs requires continuing effort; it is not a once-for-all solution because the selling advantages gained from a particular improvement gradually get competed away.

Some marketing boards negotiate prices in advance of the growing season and thereby afford their producers the opportunity to adjust their production plans accordingly. This is an example of forward pricing, an approach to reducing insecurity which contains much merit.

To obtain more stable prices, marketing boards might, under favourable conditions, employ any one or more of the following measures: stabilizing production, controlling the flow of supplies from farms onto the market by means of assembly powers, storage, or practising a two-price system in separated markets. Measures to stabilize prices would also serve to stabilize incomes, providing marketings are held constant. With varying levels of output, particularly for perishables, the only way to obtain stable incomes is to vary price. Stable prices are significant mainly as a means of obtaining stable incomes. More stable incomes are needed to instil greater confidence and security among farmers and among the other sectors of the industry engaged in marketing farmers' products and providing their supplies. Unstable prices are costly in themselves and discourage specialized production which is usually more efficient.

Attempts to raise and to stabilize farm incomes by restricting production or diverting marketings succeed best and longest when there are no competing

sources of supply or close substitutes. In order to control marketings of storable products, the marketing board would have to acquire or rent storage or processing facilities or else restrict, divert or destroy production.

Even if these income-raising and stabilizing efforts produced benefits for farmers, the justification for the legislature delegating such powers must be judged, in the final analysis, in terms of their effects upon the welfare of all interested parties, including the general public's interest in efficient production and marketing.

Marketing boards can, we think, remove wilful discrimination against particular producers or producing areas, by means, for example, of directing assembly of the product from farms or enabling anonymous selling. The removal of other irregular market practices is also a worthwhile activity of marketing boards. While efforts of this kind may not affect the incomes of producers as a group, they result in fairer and smoother relations between sellers and buyers. Of course, marketing boards can discriminate among producers, too, and a victim cannot "contract out".

Another sphere in which marketing board activities might produce benefits is in increasing the demand for farm products. They could approach this goal through improving quality by promoting better handling and storing, by negotiating grade price differentials, and by advertising the results. They could also promote new uses of farm products. If these efforts are soundly based on consumer preferences, they could increase the demand and prices for certain products.

Marketing boards are in a position to undertake the collection, analysis and distribution of valuable market information for their producers. This information can serve farmers as guides for planning their production and marketing.

Marketing boards have met with varying degrees of success. As we have said, it is difficult for provincial marketing boards to gain long-run income benefits except perhaps in cases like flue-cured tobacco and white beans where effective control of supply is feasible. The Royal Commission on Price Spreads of Food Products stated that they had not been able to detect any reduction in price spreads conclusively attributable to marketing boards. Some of the non-restrictive activities of marketing boards have undoubtedly benefited producers and increased marketing efficiency without disruption of the market or severe encroachment on the freedom of action of individuals.

Following is a list of appropriate activities of local commodity marketing boards. Powers to perform these activities would be delegated to the local producer boards by the Ontario Farm Products Marketing Board. All of these activities fall within the powers of a negotiating type of marketing board, or a negotiating board with limited agency powers. (As explained, "limited agency power" means having the authority to buy and sell their product alongside other buyers.) The participation referred to or implied in activities 1 to 8 would be with other links in the producing-marketing chain through the medium of the vertical commodity marketing associations proposed later in the chapter.

1. Actively promoting better understanding between producers and other links in the producing-marketing chain.
2. Participating in the negotiation of minimum prices in advance of production or marketing decisions (forward pricing).
3. Participating in the establishment of conditions of sale and grading and packaging regulations.
4. Participating in encouraging greater efficiency in production and marketing through economies of scale and reduced duplication.
5. Participating in promoting a more even flow of products to market, through storage or two-price programs.

6. Taking steps to have irregular market practices and unfair treatment as between individual producers corrected.
7. Improving and approving the forms of contracts between producers and buyers.
8. Taking measures, based upon joint research with the trade, to increase demand by way of quality improvement and new products.
9. Circulating reliable market information.
10. Assembling or directing the product from farms into central positions for sale.

More restrictive producing-selling powers than those listed above cannot bring lasting advantages to Ontario farmers unless controls favourable to them can be worked out jointly with producers of close substitutes and competing producers outside Ontario. If a joint control program on a national scale could be enforced on all producers of near-products, if imports were restricted, and if the consuming public agreed, it might be possible to raise and stabilize the average levels of farm prices and incomes in Canada. This would seem to require the establishment of a comprehensive network of national marketing boards and import controls. For good reasons which we give in Chapters 11 and 14, we are not advocating that Ontario support the regulation of agricultural production and marketing by a network of national marketing boards.

(d) Co-operatives Versus Marketing Boards

Basically, the conflict between co-operatives and marketing boards stems from the voluntary nature of co-operatives and the compulsory nature of marketing boards, and from both trying to serve the same groups of producers. This conflict is not just one of philosophical principle; there seems to be a conflict in law. Certain marketing boards have the legal power to direct the assembly of their products from all farms, which is in flat contradiction of a well-established right of co-operative members to have their products handled and processed by their co-operatives. Patronage dividends to a co-operative member are based on how much use the member makes of the co-operative. In practice, working arrangements between co-operatives and marketing boards have been found, either by non-enforcement on co-operative members of the directional powers of a marketing board or by mutual agreement with a co-operative. (We are applying the term co-operative here in its literal sense and are excluding so-called "compulsory co-operative" selling agents of marketing boards.)

These arrangements do not disguise the fact that the situation is somewhat peculiar. It brings into question the public interest in promoting co-operatives. What is needed is a sharper line to be drawn separating the areas that are best suited for marketing boards and those that are best suited for co-operatives. Since there are distinct areas in which each type of institution can operate effectively, we now attempt to draw such a line.

The tendency over the period in which marketing boards have operated in Ontario has been for them to extend themselves further into the marketing process. It has been claimed that it is not enough for them to negotiate prices and establish conditions of sale, but they must also have exclusive assembly and selling powers and acquire and operate marketing facilities. Should all this become an accepted practice, it would become a bitter area of conflict with co-operatives. Furthermore, it would evoke strong resentment from other business members of the marketing chain whose goodwill is needed for producer welfare. There is the possibility that proceeds from compulsory producer levies might be used by a marketing board to make up losses from uneconomic agency operations. Most important, it is a principle of democratic justice that an organization to which has been delegated special selling powers by the legislature cannot be permitted also to enter the market as a buyer in

competition with regular buyers who are not so privileged. Every buyer should have equal opportunity to buy from a marketing board.

Where the producers decide to own extensive marketing facilities, the marketing boards should encourage them to form completely separate co-operatives for this purpose. These co-operatives should be organized on voluntary lines and operate independently of the marketing boards. The co-operatives would operate in competition with existing business firms, returning to patron-members any operating profits or losses. Well-managed co-operatives would be able to undertake any marketing functions, from assembling farm products at one end through to retailing them at the other end. Since most of the benefits which farmers can yet derive from collective marketing are likely to come from entry into the more advanced stages of the marketing process, any marketing board action which might lessen farmer support for co-operatives should be discouraged. Occasions might arise when a marketing board should engage the services of a co-operative on a temporary basis, however.

The powers of marketing boards, and their interpretation in practice, must depend on the attitude of the government of the day. On the other hand, co-operatives have proven themselves over time to be self-help organizations usually requiring a minimum of assistance. Co-operatives should be permitted a high degree of self-determination in marketing, although not automatically exempt from the compulsory assembly powers and service charges of marketing boards. Co-operative members should not be exempt from equalization deductions made by a marketing board.

To exempt the members of marketing co-operatives from the compulsory assembly and service charges of a marketing board might weaken the ability of the marketing board to achieve its objectives of higher and more stable incomes. Nevertheless, if a co-operative can demonstrate to the Agricultural Industry Board (recommended later in this chapter) that the compulsory assembly and service charges of a marketing board are doing serious harm to the co-operative, then the Agricultural Industry Board should have the power to exempt the members of that co-operative from the compulsory board assembly or from the compulsory board assembly and service charges.

(e) Contracting and Vertical Integration

Either as an alternative, or in addition, to collective selling, some farmers have found it worthwhile to contract vertically with other links of the marketing chain. Although marketing by contract is not new in agriculture (having been in use for some time for fluid milk, beef-feeding, sugar beets, and canning crops), recent contracting has been more formal, binding and comprehensive in scope. Some important managerial decisions are made for the farmer, and other parties in addition to producer and processor are usually involved. The older type of contract continues to play an important part, but even these contracts appear to be becoming more formal and comprehensive. Contracting expanded so rapidly in certain branches of agriculture in recent years as to attract wide-spread attention and cause considerable concern among some farm leaders. Distress can be caused by contracts which are not tied to market outlets. Contracting has been said to reduce the independence of farmers, but it also reduced their need for advice from farm organizations and government.

We consider contracting to be a form of vertical integration, in spite of contracting's partial and temporary nature. Contracting and outright vertical integration are elements of a trend away from the location of marketing functions (such as assembly, processing, storage, wholesaling and retailing) in separate, decision-making firms. Contracting and integration are more the result than the cause of basic changes in the agricultural industry. The co-ordination of management between production and marketing has been largely in response to the need of modern retailing for a continuous, large and uniform supply of quality products. Technological developments also have encouraged contracting in the production and marketing of poultry and live stock, where

it began with chicken broilers and then spread to turkeys, eggs, hogs and (to a small extent) to other kinds of live stock. Feed companies, who wanted year-round capacity operation and the promotion of new feeds, were leading participants in these contracts.

It is estimated that between 70 and 90 per cent of the chicken broilers produced in Ontario are under contract. This per cent has fallen from an estimated 95 per cent three years ago, as a result of poor market conditions. The usual size of broiler contract ranges from 1,000 to 15,000 birds but there are flocks under contract with up to 60,000 birds. Contracting assures large-scale producers a market when the birds have reached the required weight. Before signing a contract the contractor in turn must be sure of a market, and this helps to keep broiler production in line with consumption. The contractor signs contracts only with reliable farmers who are willing to accept advice, and the number of birds is limited to what the farmer can handle.

Contracting for turkey broilers and mature turkeys is also highly developed, but unlike chicken broiler contracts (Chapter 8), offers no price guarantees. Opinions vary as to the extent of contracting in turkeys, but indications are that there is some sort of agreement covering virtually all turkeys produced in Ontario. Turkey contracts usually vary in size from 3,000 to 12,000 birds.

Contracting for eggs is much less developed than for poultry meat. Most feed companies write credit contracts for egg production, however, and there are formal or informal agreements between egg producers and egg-grading stations. Two chain stores own and operate their own egg-grading stations. It is estimated that less than 10 per cent of the eggs produced in Ontario are covered by formal contracts. The introduction of larger and more mechanized egg-grading stations is expected to lead to more contracting. It is also expected that such stations will be supplied mainly by laying flocks of 3,000 to 4,000 birds, which would be a family-size operation.

Contracting for hogs has caused much discussion, but it is estimated that not more than 15 per cent of Ontario hogs have ever been produced under contracts. Probably only five per cent were under contract at mid-1960. The rise in hog contracting resulted largely from the support price offered by the federal purchase program. The feed companies were able to expand their sales by writing contracts for hogs with little risk of incurring losses. The shift to a deficiency payment plan in 1960 made contracting less attractive to feed companies during times of heavy marketings. Technology in hog production has not yet permitted really large-scale operations. When the problem of disease control is overcome, however, large-scale operations and contracting can be expected to become much more important in hog production.

Perhaps about 10 per cent of the feeding of beef cattle in Ontario is done under some form of weight-gain contract.

Contracting assures a large, continuous supply of uniform quality product. The major objective of feed companies in contracting is to develop larger and steadier feed sales. The farmer is provided with production credit, risk-sharing, expert managerial assistance and a guaranteed market. The farmer loses some managerial independence but he stands to gain expert managerial help. The terms of the contract usually require the farmer to expand his operation to a more efficient scale and improve the balance of farm inputs. Co-operatives are competing with feed and packing companies in writing contracts.

Contracting can be beneficial to consumers as well as farmers, contractors, and retailers. There is room for reducing marketing costs since some channels are by-passed by vertical arrangements. The shortening of the marketing chain and reduced reliance on the open market would tend to reduce alternating gluts and scarcities since changes in demand could more readily be passed back for

appropriate adjustments in production. Unit production costs may be lowered by larger operations and the use of more specialized and efficient techniques. Savings on marketing and production should and could be shared by all partners in the contract, including the consumer, if the specification buying correctly reflects consumer preference.

Marketing by contract has certain distinct advantages for the farmer over reliance on the open market. These benefits include the promotion of better technology in production and marketing, and greater stability in the industry. Farmers may be expected to seek contracts when faced with unfavourable market conditions but may prefer to rely on the open market when a sellers' market prevails. The reverse may be true of contractors. This difference of interest would tend to cause swings in the number of contracts being written from time to time, but there are offsetting considerations tending to encourage stability in contracting. The contractors have an interest in steady suppliers and customers in order to keep their plants operating near capacity. As for the farmer, the assistance received by way of credit, management and assured markets may be attractive enough to keep him contracting steadily rather than swinging in and out with changing open market conditions.

In the long run, the growth of marketing by contract will hinge upon technological advances such as preventive medicine which would make large-scale live stock production pay, and upon the continued preference of mass retailers for dealing with sources which can supply products of a specified quality in bulk and on a continuous basis. As more possibilities appear for gaining economies of large-scale operation, producers who adopt these methods may try to protect their heavy investment by acquiring greater market security under some form of contract or by outright vertical integration.

We believe that the extent of vertical integration is likely to increase whether farmers seek it or not. Vertical integration can benefit farmers, especially if they do their own integrating by means of co-operatives. Producer organizations can at least appraise the relative merits of available forms of contracts on behalf of their members. Approved contracts should be binding on all parties.

(f) Corporate Farming

In this section we are discussing the large corporate farm, which also does processing and packaging, and not the family farm which incorporates to facilitate transfer of title and save succession duties. The large corporate farm is new to Ontario agriculture, having arisen as a result of technological developments which permitted the mass-production of certain products, and, in addition, secured markets for these products by linking with large retail outlets which require regular and large supplies of uniform quality products.

The outstanding example of a large corporate farm in Ontario is Hardee Farms International Ltd. It is listed on the Toronto Stock Exchange, with assets in 1959 totalling over eight million dollars. Hardee Farms owns property in Ontario, Quebec and Florida totalling 25,000 acres. The Canadian operations mass-produce fresh and processed vegetables for wholesale distribution in major cities in Canada and across the United States border. The tropical operations serve to keep their processing and packaging plants in operation during our off-season by supplying fresh vegetables the year around.

Hardee Farms has integrated the production, storage, processing, packaging, and wholesaling of fresh vegetables on a very large scale. It provides a leading example of a type of vertical integration that is feasible when modern technology, large-scale financing, top management, and ready access to large retail outlets combine to produce and market farm products that are subject to economies of large-scale operation. There are several products which are not suited to mass-production, at least not yet. Even in the vegetable industry there is not room for many operations as large as Hardee.

14) Road for Vertical Commodity Marketing Associations

We have become convinced that what is required for future welfare of the Ontario agricultural industry is co-ordinated production and marketing. In view of shifting consumer tastes, the requirements of mass retailing and the economics of changing technology in both production and marketing, we are satisfied that the co-ordination must be specific, as well as general. Modern retailing and technology are ushering in large-scale operations, and these businesses cannot risk uncertain markets for their products on the one side or uncertain supplies on the other side. Therefore they integrate vertically. Producer and other marketing groups, however, have traditionally organized horizontally, facing each other as contending powers in the market-place. There is a basic need therefore for new marketing associations which would link up the common interests of successive stages in the production and marketing of agricultural commodities or of groups of closely related commodities. Vertical linkage is spreading in one form or another, and we are proposing that it be tailored to market trends and brought into the public view to safeguard all interest groups.

If our Ontario agricultural problem were one of Ontario-produced surpluses, and the remedy were production control, we would hesitate to recommend a piece-meal commodity approach. We see the welfare of Ontario agriculture rather in increasing its share of an expanding home market. Within this expansionary context, the proposed vertical commodity association approach is valid. At the same time, this approach would render more effective any special efforts to expand exports (Chapter 14). Co-ordination among vertical commodity associations would be essential, however, and would be provided by the Agricultural Industry Board which we propose later in this chapter.

Vertical commodity marketing associations of the kind which we envisage would comprise representatives of all groups involved in marketing a product (or group of closely related products), from producer co-operatives and marketing boards through to well-organized consumers. A marketing association could formulate plans for improving operations at each successive stage in the production-marketing process of a product. It would make sure that each interest group became familiar with the problems encountered at all stages and that their joint efforts were being directed by enlightened teamwork (to borrow a phrase from the Fruit and Vegetable Growers' Association) towards meeting the quantity and quality requirements of consumers. Marketing research is still in its infancy in Ontario agriculture - a marketing association would plan and finance research studies, quality and sales promotional programs, and special export efforts. Its functions would include price negotiation. It would be responsible (subject to Agricultural Industry Board approval) for administering any forward pricing and auxiliary storage or supply control measures. All such planning should be announced in advance of production.

Following is a list of responsibilities and activities of the proposed vertical commodity marketing associations:

1. Actively promoting better understanding and closer co-operation among all links in commodity production-marketing chains.
2. Discussing and planning research to improve production, processing and marketing, improving and controlling quality, promoting sales, and creating demand.
3. Negotiating prices, including grade-price differentials and forward pricing, if any.
4. Negotiating non-price conditions and terms of sale.
5. Planning and administering quotas, two-price systems, and equalization deductions.
6. Reporting annually in published form to the Agricultural Industry Board.

The vertical marketing associations should be self-financing. Enabling legislation would be necessary for their establishment, however, and this legislation would form an integral part of the marketing portion of the Ontario Agricultural (Production and Marketing) Adjustment Act which we are recommending in Chapter 13 as the legal and philosophical embodiment of the Enquiry Committee's key recommendations.

(h) Proposed Agricultural Industry Board

Producer marketing boards serve farmer interests. The proposed vertical commodity marketing associations would represent all groups in each commodity marketing chain, however, and would be responsible for planning and promoting adjustments in commodity marketing in accord with changing technology and consumer tastes.

An agency will be needed to co-ordinate the various vertical commodity marketing associations in the interest of the Ontario agricultural industry as a whole and in the broader public interest. Also, a "referee" agency will be needed, initially at least, to settle any differences arising among the component groups of a vertical commodity marketing association. The agency which we are proposing for both of these purposes is an Agricultural Industry Board. The creation and empowering of the Agricultural Industry Board would be a key marketing feature of the proposed Agricultural (Production and Marketing) Adjustment Act.

The Agricultural Industry Board would be the co-ordinator of marketing boards, co-operatives, marketing associations, processors, transporters, distributors, and the industry in general including consumers. With these diverse elements pulling together, it should be possible for the industry to plan its own future without much direct government intervention. In case of disputes, the Industry Board would be the automatic arbitrator. The Agricultural Industry Board would operate within the broad framework of a master plan of adjustment that would always be looking several years ahead.

From many briefs submitted at the public hearings by various branches of the industry and from our own investigations, we find that matters of common interest and reconcilable differences of opinion exist. The Agricultural Industry Board would strive to promote better working relations between the various interest groups in the industry and amicably resolve areas of conflict among them. The Industry Board would have authority to call contending groups together for purposes of working out their own agreements, and in the event of a deadlock, the Industry Board would either arbitrate or recommend definite action to the government. The Industry Board would convene the initial meetings of the various vertical marketing associations. The Industry Board would require semi-judicial powers to enforce decisions where no agreements could be reached among disputing parties. The Industry Board itself would represent the whole agricultural production-marketing process and would be impartial in specific disputes. By keeping in close touch with developments in all branches of the industry, the Industry Board would try to relieve tensions and head off trouble before it reaches crisis proportions. Its overall aim would be to unite the efforts of all interested groups in order to promote a sound and progressive agricultural industry in Ontario. The Industry Board would make more detailed plans for carrying out its work after it is set up.

Following is a list of general responsibilities of the proposed Agricultural Industry Board:

1. Planning long-range and industry-wide adjustments.
2. Commissioning research through the Agricultural Research Institute proposed in Chapter 13.
3. Approving marketing plans before they are submitted to producers for a vote (and after public hearings if advisable).

4. Calling initial meetings of each vertical commodity marketing association.
5. Automatically arbitrating disputes on activities listed above under vertical commodity marketing associations and in the next section under the revised Farm Products Marketing Board.
6. Judging appeals by co-operatives for exemption from compulsory board assembly and service charges.

The Industry Board should be composed of five prominent appointees, two representing farmers, one representing consumers, and one representing the rest of the agricultural industry. The Industry Board should have an impartial person, preferably a judge as full-time chairman, with a five-year renewable appointment. All other members should be appointed for five-year, overlapping terms by the Ontario government and paid on a *per diem* basis. There should be a full-time secretariat, including a senior economist, paid by the Ontario government but not civil servants.

(i) The Role of Government in Marketing

The Ontario government plays a minor part in the actual handling of farm products, but by initiating legislation and administering marketing policies in the province it exerts considerable influence on the pattern of development. Government marketing activities include grading and inspection, administering legislation governing marketing boards, research, promotional and educational work by the Extension Service, and the publication and distribution of market information. We are proposing that the government's contribution remain of a licensing, supervisory, and advisory nature. As a general rule licensing should be done by the Department and not delegated.

The leading alternative approach to the industry self-help which we are recommending in Ontario would soon lead, we think, to agriculture becoming a public utility. While avoiding state paternalism, the government can be expected to promote a number of other aspects of the marketing system by supporting measures which bring about a better balance between trends in supply and demand for farm products and reduce conflict among the various interest groups.

In section (c) of the present chapter we listed ten suitable activities of producer marketing boards. In section (d) we listed six suitable activities of the proposed vertical commodity marketing association. In section (h) we listed six responsibilities of the proposed Agricultural Industry Board, and said that it would make more detailed plans for carrying out its work after it is set up. The Ontario Farm Products Marketing Board would continue operating as a branch of the government but with reduced powers.

The Farm Products Marketing Act requires revision, deleting some of the general powers of the Farm Products Marketing Board. These deleted powers would be included among the different and enlarged powers conferred by other legislation upon either the vertical commodity marketing associations or the Agricultural Industry Board.

The Farm Products Marketing Board is overloaded with certain duties. The proposed changes involve deleting from the Farm Products Marketing Act powers of arbitration and responsibilities relating to matters not internal to the operations of marketing boards. The Farm Products Marketing Board would retain its regulatory and supervisory powers, which may be delegated to local boards. It would still fill a very useful purpose of co-ordinating producer marketing board activity. Following is a list of activities which should be retained by the Ontario Farm Products Marketing Board:

1. General supervision and inspection of local commodity marketing boards.

2. Registration of producer voters.
3. Holding of plebiscites of producers.
4. Supervising elections of officers of local boards.
5. Licensing of producers, processors, transporters, etc.
6. Filing of records of local boards (pages 166-7).
7. Delegation of specific limited powers to local boards.

We are also proposing that milk marketing legislation in Ontario be consolidated under the new Farm Products Marketing Act. The new Farm Products Marketing Act would replace the present Milk Industry Act and include suitable general regulatory and supervisory provisions to cover all farm products, including dairy products. The powers of investigation and arbitration presently in the Milk Industry Act, however, would be included in the proposed legislation setting up the Agricultural Industry Board. Powers relating to registration, licensing, and control of local marketing boards would be transferred to the new Farm Products Marketing Act. Any specific clauses now appearing in the Milk Industry Act that need to be retained would be transferred to either the new Farm Products Marketing Board or to special regulations under a provincial milk marketing plan (Chapter 8). It will also be necessary to make similar adjustments to accommodate the boards and committees which are presently appointed under the Milk Industry Act.

There are three areas in which provincial government action in the field of agricultural marketing is needed at the present time.

1. Conducting research to establish factual information on the performance of marketing boards as a basis for charting suitable and unsuitable areas for their operation. The selling agency powers of marketing boards should be limited.
2. Encouraging the growth of co-operatives through services to be provided by the new Co-operatives Branch of the Department of Agriculture. The duties of the Co-operatives Branch should be advisory more than supervisory. The Branch should stimulate greater efficiency in co-operative operations without encroaching on their self-help tradition. It should draw heavily on the experience of successful co-operatives in assisting new and less successful ones.
3. Preparing and passing fundamental legislation in the form of an Agricultural (Production and Marketing) Adjustment Act (Chapter 13). Within the philosophy and framework of this Adjustment Act barriers and impediments to the continuous and more rapid adjustment of Ontario agricultural production and marketing to the trends of the market should be removed.

(j) Summary and Recommendations

Some of the main difficulties encountered by Ontario farmers in marketing their products result from their individual inability to assess market conditions and prospects properly, and from their individual weakness in dealing with the few large buyers of their products. It seems to us, therefore, that the right approach to reducing market uncertainty and to improving the farmer's income position lies in farmers taking a much more active part in processing and distributing their products, in greater unity of action among themselves, and in closer liaison with the rest of the industry. Revolutionary changes in retailing and technology demand greater co-ordination between agricultural production and marketing in a fresh, forward-looking way.

In this chapter, we have discussed three ways currently available in which farmers may increase their security in marketing - marketing co-operatives, marketing boards, and contracting. The advantages and disadvantages of these systems have been discussed at length, and we conclude that each will continue to receive support. In addition, large corporate farms may integrate the production and marketing of products for which mass production operations are possible. No one system will flourish to the exclusion of all others, and no system can hope to succeed if it is antagonistic to the interests of a substantial segment of society.

The conflict between co-operatives and marketing boards stems from the voluntary nature of co-operatives and the compulsory nature of marketing boards, and from both trying to serve the same group of producers. This conflict can only be resolved by drawing a sharper line between those areas that are more suited to co-operatives and those that are more suited to marketing boards.

The individual farmer can play the most active part in marketing his product under co-operative marketing, a less active part under marketing boards, and a still less active part under contracting. There is much to be said for co-operative marketing although it can have little direct effect on price. Co-operatives attempt to provide their members with more efficient marketing, and a sound basis for integrating forward with little interference with the traditional resource-allocating function of market prices.

The main objective of marketing boards is to secure enough collective bargaining power directly to raise prices by negotiation, by restricting supply or by actually selling the product on behalf of all of the producers. (For other objectives see section (c) of Chapter 9.) Marketing boards may raise price temporarily, but this is unlikely to last. In the long run higher prices can only be sustained by some form of production control, and only then if the control extends to substitute products and to competing products from rival producing provinces, along with tariff barriers against imports.

Contracting can reduce market insecurity, to the mutual benefit of the contracting parties. If farmers cannot cope with vertical integration and contracting individually, then they should get into it themselves collectively.

In the past, commodity producing and marketing groups have tended to organize themselves horizontally, facing one another in a stultifying climate of conflict. There is much work to be done, and benefits to be gained, by closer vertical association of the various links in a commodity chain, from the producer right through to the consumer. The activities proposed for vertical commodity marketing associations would need to be co-ordinated within a forward-looking framework of adjustment by an Ontario Agricultural Industry Board. The Ontario Farm Products Marketing Board would continue operating as a branch of the government, but with reduced powers. Sections (c), (g), (h) and (i) of Chapter 9 contain lists of our proposed activities of local commodity marketing boards, vertical marketing associations, the Industry Board, and the new Farm Products Marketing Board.

Our further recommendations are as follows:

1. Only in exceptional circumstances should local marketing boards be permitted to acquire substantial processing facilities, or engage in compulsory selling. Price should be the only basis for allocating sales.
2. No producer should ever be subject to the jurisdiction of any marketing board who is not eligible to vote for or against it.
3. Co-operative marketing should be encouraged. Co-operatives have proven their worth in marketing. Co-operatives should be permitted a high degree of self-determination in marketing. Members of co-operatives cannot be exempted automatically from the compulsory assembly powers and service charges of a local marketing board, but the Agricultural Industry Board

should have power to exempt a co-operative from compulsory board assembly and service charges if they can be shown to be causing serious harm to the co-operative.

4. The new Co-operatives Branch of the Ontario Department of Agriculture should promote and strengthen the co-operative movement in the province. This Branch should undertake the following duties.
 - (a) Examine proposals for the formation of new co-operatives and amalgamation or expansion of existing co-operatives, and give advice on the feasibility and soundness of these plans.
 - (b) Offer general guidance in the operation of co-operatives, encourage the use of efficient methods, encourage the use of uniform operating procedures, and administer the Ontario Co-operative Loans Act.
 - (c) In close liaison with the federal co-operatives section, compile adequate statistical information on co-operative activities in Ontario.
 - (d) Investigate, on request, any irregularities or special problems reported by co-operatives.
 - (e) Perform a moderate public relations function on behalf of co-operatives including the distribution of information for stimulating interest in co-operation.
5. Selling agencies controlled by marketing boards should not be permitted to use the name 'co-operative', since it is a misuse of the word.
6. Co-operatives should set the pace in contracting, and farm organizations should keep farmers well informed as to favourable types of contracts and types to be avoided.
7. We recommend that the Ontario government prepare and pass fundamental marketing legislation embodied in an Agricultural (Production and Marketing) Adjustment Act. Within the philosophy and terms of The Adjustment Act barriers and impediments to the continuous and more rapid adjustment of Ontario agricultural production and marketing to market trends should be removed, and more specifically with respect to marketing.
 - (a) Renaming the Department of Agriculture, the Department of Food and Agriculture (Chapter 13),
 - (b) Enabling the delegation of specific, limited powers of the kind listed in Chapter 9 to vertical commodity marketing associations,
 - (c) Enabling the delegation of general co-ordinating powers of the kind listed in Chapter 9 to an Agricultural Industry Board, and
 - (d) Revising the Farm Products Marketing Act so as to limit the powers of the Farm Products Marketing Board to those listed in Chapter 9, and to extend the Board's jurisdiction to include milk and milk products.
8. Much more attention and funds should be devoted separately and jointly by the various branches of the agricultural industry to marketing research which has lagged seriously behind production research. The Ontario government should give encouragement and leadership to this marketing research through the Agricultural Research Institute proposed in Chapter 13. The research should be along both general and specific lines.

CHAPTER 10 - TRANSPORTATION PROBLEM AREAS

Transportation costs usually account for an important part of the final price of farm products. Efficiency in transportation therefore is of concern to the agricultural industry in Ontario.

Numerous problems relating to the transportation of farm products in Ontario were referred to us by various groups appearing at the public hearings. A few of these problems were not of a nature that we could be expected to do much about, for example, the congestion of trucks around the unloading doors at the tobacco auction warehouses. The parties involved could be expected to solve problems of this kind themselves, and we understand that they have already done so in this instance. Some of the transportation problem areas were far-reaching or illustrative of general difficulties, however, and so we have made studies of six of these: P.C.V. licensing; bills of lading; trucking of milk; the drop in the rail rate on dressed meat; the impact of feed grain freight assistance; trucking of hogs; and the trucking of fruits and vegetables.

We also have a few introductory remarks to make about national transportation policy and the growth of trucking, matters in which Ontario agriculture is keenly concerned. Certain transportation problems in Northern Ontario and in metropolitan markets in Southern Ontario are discussed in Chapter 12.

(a) National Transportation Policy

Transportation in Canada has long been considered as so vested with the public interest as to require careful supervision, and even participation, by government. Trucking is regulated by the provinces, but the railways, which have been in existence longer, have been subjected to extensive federal control. The railways were a "chosen instrument" of national policy. They were built across Canada at government urging and with government subsidy that they might better serve the interest of national unity by overriding the more natural lines of trade running north and south across the United States-Canadian border.

At the same time, efforts have been made to keep governmental interference in the railways to a minimum consistent with the policy of national unity. A transporter, without government intervention, would set his rates so as to maximize profits by having regard to the cost of the service provided and its value to the customer. Policy has decreed that it would not be in the national interest for the railways always to "charge what the traffic will bear", and so lower rates have been set for many commodities.

The cost of rail service is difficult to compute. National policy has sought to keep rates per ton mile on long-distance traffic lower than on short hauls. Being centrally located in Canada, with shorter hauls, Ontario producers generally have been caught in the middle on such arrangements.

The railways have tried to offset their losses on regulated long hauls by profits on unregulated traffic, but since it is not considered to be in the interest of the economy to push this "internal subsidization" too far the federal government has had to subsidize the railways directly.

The basic structure of all railway rates is the "classification" which reflects an estimate of the cost and value of the service, as indicated by the bulkiness, perishability, and value of the class of commodity. "Commodity rates" are also a general rating, open to all, but are lower than class rates in order to encourage volume movement. "Normal" commodity rates, like the classification, are set by the federal Board of Transport Commissioners. "Competitive" commodity rates aim to meet the competition of highways or other modes of transportation. "Agreed charges" first appeared in 1938. They are essentially annual contracts between shippers and the railways for lower rates on minimum shares of the traffic of specified commodities between specified points. In recent years, truck and seaway competition has forced the railways to restrict internal subsidization and offer more and more "agreed charges". Less than 20

percent of agricultural commodities now move on the railways at basic class rates because of competitive commodity rates and agreed charges.

(b) Growth of Trucking

The increasing importance of truck transportation in Ontario, including the transportation of agricultural products, is well known. It may not be so widely realized, however, that trucking is already the leading form of transportation of farm products in Ontario. Of the total cost of trucking food produced and consumed in Canada in 1957, over 40 per cent was carried in trucks of Ontario registration, according to the Report of the Royal Commission on Price Spreads of Food Products.

General reasons for the increasing importance of trucking were the rapid development of light industries requiring shipments over short and medium distances on fast, regular and flexible schedules, and the increased consumption of perishable foods such as fresh fruits and vegetables, meat and milk products. The rapid expansion of highways and streets facilitated this development.

Trucks have an advantage over railways on short hauls. The special importance of trucking to Ontario agriculture is due to the fact that most of the marketing is done within the province and so the haul is relatively short. The closeness of large markets to good producing areas favours truck transportation. Even for grain on shorter hauls, and on longer hauls for certain products, trucks have been taking over from the railways and waterways. The decline in rail loadings was not necessarily due to higher rates. Truckers can and do charge more if they offer superior services. Trucks have greater flexibility, speed and convenience with low terminal expenses and less handling which means less damage and fewer claims. Truckers can offer more specialized services, such as pick-up and delivery. The securing of return loads by truckers has increased their efficiency. Not all of the increased trucking has been "for hire" - recently private trucking has increased considerably.

There was a period of rapid substitution of truck for rail hauling of live stock in Ontario between 1949 and 1953. By 1957, over 90 per cent of cattle and hog deliveries to Ontario stock yards and packing plants were by truck.

With the recent development of refrigerated trucks, truckers have moved into the long-hauling of live stock. If the railways meet these competitive challenges, agricultural shippers are due for some real gains in transportation services and favourable rates in the next few years. Problems of quality control of live stock in transit and of fair remuneration for better service will have to be solved. We must admit, however, that it seems likely that the benefits from improved and more competitive long-haul traffic will be enjoyed more by western farmers shipping into Ontario markets than by Ontario farmers because most of what is produced on Ontario farms is consumed in Ontario.

The railways have often been criticized for failing to keep up to date in their services and pricing. We became convinced that these claims have some validity, particularly in the past when the railways had a greater degree of monopoly on transportation. In its 1960 brief to the Royal Commission on Transportation, the Canadian Industrial Traffic League said: "The Railways' approach for getting business has been hampered by an insufficient appreciation of the customers' requirements and by lack of aggressiveness to increase their share of Canada's traffic." The railways reply that new rates and charges can be implemented more quickly here than in the United States. The attitude seems to be a defensive one, and evidently this is not good enough.

Canadian railways have made considerable technical progress, for example the overhead tank refrigerator car which is said to be the best on the continent. Specialized expensive equipment like this can pay only with frequent use. We understand that increasing attention is being given to this by the railways, along lines of speedier movement and better protection for the quality of the product, and including analyses of market potentials. We trust that these

efforts will be redoubled, in close consultation with commodity groups. We also think that there is room for more co-ordination among alternative transportation facilities in marketing farm products.

The increased competition and services provided by trucking, on short hauls at least, benefited Ontario. Railways and trucks each offer their own special advantages, and each mode of transport has something to learn from the other.

As already mentioned, the regulation of trucking is a provincial matter. Some interprovincial co-ordination of limits on vehicle size, lengths and weights is needed, but Ontario should beware of proposals to bring trucking under federal regulation lest it be nobbled as a pace-setting competitor of the railways. It might be preferable for the federal government to lighten the railways of some of their "chosen instrument" responsibilities and allow them more independence in rate-setting and other competitive devices.

(c) Public Commercial Vehicle (P.C.V.) Licensing

P.C.V. trucking licences are issued by the Ontario Highway Transport Board. There are several categories of P.C.V. licences relating to the kind of commodity hauled. P.C.V. licensing protects shippers by requiring a standard minimum performance from licencees.

Beginning in the early 1920's "for hire" trucking grew rapidly, attracted many operators and resulted in frequent failures. In 1933, it was decided that the interests of the public would be better served if there were fewer truckers. Rather than benefiting from the competition in the form of low rates, the public was being subjected to excessive costs due to wasteful duplication of routes and unused vehicular capacity. The new policy in 1933 was that P.C.V. licences would be granted only where the proposed service was considered to be a "necessity and convenience" to the general public. Thus a privileged position for the successful applicant is created by public authority on the grounds of public necessity and convenience - it is not a "free competitive system".

Some measure of competition usually remains, however. Ordinarily, live stock shippers, for example, can choose among several P.C.V. licencees capable of catering to their needs, or do their own trucking. Where this overlapping of P.C.V. territories does not exist, shipment of live stock can be made either by hiring a carrier at the point of origin or at the destination point. Moreover, a local P.C.V. operator along the route to which a larger operator is restricted will find himself in competition over that section of the route.

There is an exemption from P.C.V. licensing for agricultural products. In the first movement from the farm, or while still owned by the producers, agricultural commodities (other than live stock and milk) can be transported by commercial carriers exempted from P.C.V. requirements. Co-operative milk hauling is exempted from P.C.V. licensing. In part the agricultural exemption is because of the administrative difficulty that would be involved in licensing the transportation of all farm products, but it also reflects a belief that the primary movement of farm products ought to be allowed maximum freedom.

The Automotive Transport Association (A.T.A.) argued that the trucking of at least these products under marketing plans should be under P.C.V. regulation. The A.T.A. also saw merit in licensing by the marketing boards, in addition to P.C.V., in order to regulate the purely industrial facets of the operation. In addition to regulating, this licensing would provide representation for the views and interests of transporters in these marketing plans.

While it would be too much to expect that the interests of transporters be given primary consideration, it does not seem unreasonable to accord them some status under marketing legislation. The truckers concerned deserve to participate in the formulation of transport regulations by marketing boards. There are matters such as improvements in service in which it would be to the mutual interest of producers and transporters to work more closely together. This

participation could be provided by consultation or by trucker representation on the proposed vertical commodity marketing associations, however, without imposing P.C.V. or marketing board licensing. There is a risk of "public necessity and convenience" being compounded to further protect licencees by curbing competition. All P.C.V. operators meeting minimum performance requirements for safeguarding high operating standards and financial responsibility should receive marketing board approval, subject to frequent re-examination.

(d) Bills of Lading

At the time of the appointment of the Enquiry Committee the live stock bill of lading situation was unsatisfactory. P.C.V. Act Regulation 15 has long required that the holder of a licence for transporting live stock should use the live stock bill of lading. This regulation was neither enforced nor complied with, however, except for hogs after 1953. The reconstruction of Regulation 15 in February 1960 is expected to secure enforcement and compliance by means of a simplified bill of lading showing:

- (a) Name of the carrier issuing the bill of lading, and his P.C.V. and vehicle numbers.
- (b) Date of shipment.
- (c) Name of the consignor, and his shipping number.
- (d) Originating point of the shipment.
- (e) Name of the consignee.
- (f) Destination of the shipment.
- (g) Quantity of each type of live stock.
- (h) Particulars as to weight, freight rate and amount of freight charge for each type of live stock.
- (i) Whether the charges are prepaid or collect, and if C.O.D. the amount to be marked.
- (j) Indicate shipper's identification mark.
- (k) Any agreement covering transport with other than due dispatch, or for specific time, must be endorsed on the bill of lading and signed by the parties.
- (l) If a shipment is "at owner's risk" these words must be entered on the bill of lading and initialed by both parties.
- (m) Maximum liability is \$1.50 per pound unless the declared valuation states otherwise.
- (n) A Class C carrier must name the payer of the freight charges.
- (o) The bill of lading must include acknowledgement of receipt by the carrier of the goods and an undertaking to carry them for delivery to the consignee, and should be signed by, or on behalf of the shipper, the carrier, and by the consignee upon receipt.

This new bill of lading form was prepared by the Enforcement Branch of the Ontario Department of Transport in co-operation with the A.T.A. In spite of the wealth of information contained, it is conveniently compact. It is a good illustration of fruitful collaboration with the trade.

(e) Trucking of Milk

The shift to bulk tank hauling during the last decade has reduced costs by an increased ease of handling and better utilization of equipment. The increased use of tank trucks has incidentally extended the boundaries of milk sheds.

Another way to improve milk and cream transporting efficiency is by reducing wasteful duplication of routes. Milk producers are keenly interested in this because any savings achieved in this way represent a significant per cent of the producer's price. We were informed by the Creamerymen's Association that gains in creamery efficiency resulting from fewer and larger plants are being offset by increasing waste in procuring the cream from farms. There is a quickening interest in Ontario in the possibilities of reducing milk and cream hauling costs by having a provincial milk marketing board assume responsibility for reorganizing and directing transportation. (See Chapter 8.)

In Great Britain in 1942 a Milk Marketing Board assumed responsibility for regulating the transportation of milk from the farm. The Board worked out a "master plan" aiming at eliminating overlapping and saving labour and mileage. The Board owned and operated some trucks in order to obtain cost information for sound negotiation with truckers. It has been estimated by others that the savings achieved by reorganizing milk transportation in Britain amounted to 25 or 30 per cent.

It ought to be mentioned that the measure of co-operation received from the trade in Britain during the war emergency might not be as full during peacetime or elsewhere. Also, in making efficiency comparisons, one should make some allowance for improvements that would have taken place in the absence of the British Milk Board's "master plan". Nevertheless, we are satisfied that substantial economies were achieved in Britain, and that economies could be achieved in Ontario, in both collection from farms and retail distribution.

The trend away from home delivery is continuing. The Milk Distributors' Association explained it to us in this way - as delivery route sales are lost to milk powder and retail store sales, delivery costs per quart rise and this causes still more customers to switch. The following statement about milk distribution by the Ontario Royal Commission on Milk was made in 1947 but applies even more to 1961: "The key at the present time to any immediate further economies must lie in some fundamental reorganization of the distributing process."

In 1934 the Milk Control Board (now the Milk Industry Board) was given authority to license milk transporters, apart from P.C.V. licensing which was also required. Co-operative hauling in organized markets was included. From 1948 on, the Milk Control Board could issue certificates which entitled co-operative milk hauling to be exempted from P.C.V. requirements. In 1958 the Milk Industry Board ceased issuing licences. Co-operative milk hauling, therefore, can now be free from licensing.

The justice of permitting co-operatives to transport milk in P.C.V. territories was challenged at our public hearings. The A.T.A. contended that this should not be tolerated, but if it is, then the P.C.V. holder should at least be duly compensated when bought out or forced out by a co-operative. The amount of compensation would be set by mutual agreement or otherwise by arbitration.

The spirit of transport regulation is that a man should remain free to haul his own goods. To haul another man's goods for pay requires specific licensing under the P.C.V. Act, except for the agricultural exemption. The existence of Section 16 of the Milk Industry Act of 1957 specifically exempting co-operative milk hauling from the P.C.V. Act unintentionally implies that a co-operative is a legal corporate entity distinct from its members. For a co-operative to establish "public convenience and necessity" in order to qualify for a P.C.V. licence to haul its members' milk would virtually be impossible since P.C.V.

operators are already providing the service.

The A.T.A. claims that the issue is one of ideologies since attempts to negotiate better rates of service with existing P.C.V. operators normally were not made prior to the establishment of co-operative hauling. Belief in the co-operative principle, and the satisfying sensation of ownership and control of bulk hauling seem to be influential motives in the founding of these co-operatives. The A.T.A. questions whether the private loss to P.C.V. operators is compensated by public gain. The A.T.A. feels that it is the milk producers that gain and not the public.

The crux of the difficulty is that an apparently distinct legal entity, the co-operative, provides the P.C.V. trucker with the argument that he is seeking compensation not from his lost customers, now members of the co-operative, but from the co-operative itself, his competitor, a corporate entity possessed of legal privileges denied to the P.C.V. trucker. The soliciting of customers by the co-operative along the P.C.V. trucker's route, which is specifically excluded under the P.C.V. Act, reinforces the vigour of his argument.

A related conflict in viewpoints arises over what constitutes appropriate compensation in purchasing the P.C.V. operator's business. The trucker expects to receive the fair market value of his equipment plus the capitalized value of what profits he could reasonably have expected to earn had it not been for Section 16. The co-operative feels obliged to offer no more than the trucker could otherwise receive for equipment which he will no longer be able to use. Although in particular instances the co-operative may have offered more than this, the extra is regarded as "goodwill" of some sort.

If the co-operative and its members are not distinct entities, then the co-operative has a conclusive case for not paying for its own members' goodwill. If the co-operative and its members are distinct, then the P.C.V. operator has lost customers to a business competitor. The P.C.V. operator's only recourse is to prove that this competition is unfair. Accordingly, he points out that the co-operative does not need a P.C.V. licence and so does not have to prove "public necessity and convenience" before commencing operations. But, we may ask, is this unfair competition or simply the reinstatement of some competition in an area where it had been excluded by the "public necessity and convenience" clause of the P.C.V. Act? Or, we may reach more deeply than this and ask whether farmer co-operatives offer sufficient benefit to society to warrant special public intervention on their behalf? If the spirit of Section 16 was (and still is) to permit milk producers to haul their milk co-operatively even though this entails losses for P.C.V. truckers, then compensation is ruled out. Sooner or later it becomes necessary to determine the fundamental principle upon which legislation like Section 16 is based.

"Goodwill" in a P.C.V. situation has two components. There is that part which represents capitalized future profit due to possession of the P.C.V. licence. There is another part due to having built up a clientele of satisfied, loyal customers. The latter is not likely to be a major part in the milk trucking situation. The P.C.V. operator, if he is the original licensee, would only be paid for this second part. If a subsequent licensee is involved, however, he suffers a capital loss in consequence of his having purchased the business on the expectation that a state-conferred privileged position would remain his as long as he fulfilled his obligations under the P.C.V. Act. There is a stronger case in principle for compensation by the government here. However, there are probably so many instances in which such a principle could be applied that it is unworkable.

The spirit of Section 16 of the Milk Industry Act seems to be that milk producers should be considered as hauling their own milk when doing it co-operatively. If this is indeed the public intention, then there is little reason to compensate P.C.V. truckers for "goodwill" when they are bought out, or forced out, by trucking co-operatives.

(f) Drop in Rail Rate on Dressed Meat

In 1959 the rail freight rate on dressed meats moving into Ontario from Western Canada was lowered to meet increased truck competition resulting from the introduction of refrigerated trucks.

We are interested in this change from the viewpoint of its impact on the production and slaughtering of meat in Ontario. Transport costs are an important influence on the location of industries. If transport costs were the only determining factor, then the decision whether to ship live or dressed could be made on the basis of whether the rate were lower on live stock or on its meat equivalent. A fall in the rate on dressed meat would tend to make the production and slaughter of live stock more attractive in Western Canada than in Ontario. Also, Ontario beef producers relying on western feeder cattle would be handicapped by the drop in transport costs on dressed meat from the West.

Even before the 1959 rate change there was a tendency toward Ontario supplying an increasing proportion of its meat needs in the form of dressed meat from the West. It seems that the 1959 rate change only added some impetus to an existing tendency for live stock production and slaughtering to expand faster in Western Canada than in Ontario. When all costs of transportation are taken into account (including shrinkage, mortality, bruising and crippling), the rate structure has favoured transporting meat rather than live stock.

The freight rate incentive in favour of shipping dressed meat is partly offset by the fact that the smaller Ontario packers cannot take advantage of it because they have no slaughtering facilities in the West, and by the fact that the large packers desire to keep their Ontario slaughtering plants operating as near to capacity as possible. The present regional pattern of location of slaughtering and meat packing is largely the result of economic conditions in the past. Originally packing plants were established close to large consuming centres in the East (because of the perishability of meat), and now the costs of replacing these plants elsewhere, and of training a new labour force, are a deterrent even after technological improvements like refrigeration have favoured transporting meat rather than live stock.

Climatic and soil differences between Ontario and the West, reinforced by transport costs, tended to give Ontario an early advantage in live stock production and the Prairies in grain growing and the production of feeders. Technological, economic and institutional developments and government regulations have favoured a more rapid expansion of meat production in the West than in Ontario, however.

High-protein, low-fibre concentrates have enabled western farmers to separate hog production from dairying without sacrificing quality. The once-a-year western farrowing pattern is changing, as can be seen by the declining seasonality of hog production. In beef production, the finishing of younger cattle encourages the feeding of higher quality western grain in order to produce fat steers. Improved pastures and grazing management have increased the carrying capacity of western range land. During the decade of the 1950's, the index of animal prices averaged 26 per cent higher than for feed, which suggests that an incentive existed for farmers growing feed grains to market their crop by feeding it to live stock. Delivery quota regulations of the Wheat Board and the freeing of grain sales off farms to local mills also encouraged grain growers to feed live stock in order to get an earlier cash return from their crops.

The 1959 drop in rail rates on dressed meat reflected an increase in truck competition. Highway transport has the advantage over railways of being able to offer point-to-point service without rigid schedules. A quicker trip by truck probably means reduced tissue shrinkage. New trucks with refrigerating units can now obtain loads of meat for their return runs to the East. As soon as refrigerated trucks became economically practicable, a shift away from rail haulage of meat from the West was inevitable under the existing rate structure.

It was to meet this threat that the railways lowered their rates on dressed meats in 1959, and they may have to do the same with their live stock rates if current prospects for trucking live stock materialize. Obstacles in the way of long-distance trucking of live stock have been threefold. First, the lack of a truck suitable for carrying live stock as well as manufactured goods, the latter representing the bulk of East-to-West traffic. This difficulty seems to have been overcome by the introduction of aluminum trucks with vents which can be opened as required for live stock. There are even a few specially designed cattle-liners. Secondly, insufficient highway feeding stations made long hauls very difficult. The speed of trucks requires fewer feeding stations than for rail haulage, however, and the setting up of sufficient feeding stations for live stock trucking is probably not far away. Thirdly, interprovincial trucking has been hampered by a variety of licensing and other regulations among the provinces. For this reason, the Automotive Transport Association now appears to favour federal over provincial regulation. We have already commented on this proposal in section (b).

(g) Feed Grain Freight Assistance

During World War II when prices were controlled, the federal government placed a subsidy on feed grain freight rates to encourage greater live stock production in Eastern Canada to meet wartime needs. However, the subsidy has been continued since the war. We received two complaints against it. It was maintained that the subsidy harms the Ontario grain producer by lowering his market price. It was also claimed that it discriminates against the small live stock producer in Ontario, who feeds home-grown grains, in favour of the large live stock operator, who relies on purchased feed grains.

Over the years, both freight rates and the rate of subsidy have changed from time to time, thus altering the net cost of western feed grain to Ontario feeders. Rail rates on grain increased in 1948, 1949 and 1950. In 1955, the feed grain freight subsidy was reduced. During 1955 and 1956 selected rail rates in Ontario were reduced. In 1957 the feed grain freight assistance was increased. In 1958 the feed grain freight subsidy was raised again for Quebec and the Maritimes, but not for Ontario. In 1959 and 1960, due to the opening of the Seaway, transport costs of grain to Ontario feeders decreased.

Undoubtedly, specialized live stock feeders (especially of hogs, poultry and steers) who do not grow their own grain benefit by the feed grain freight subsidy. These operators prefer the higher-protein, lower-fibre feed from the West. The land of these Ontario feeders is expensive, and the size of the operation is set mainly by its roughage-growing capacity. It would seem that removal of the feed freight subsidy would harm Ontario live stock feeders more than western feed producers because the latter could feed the grain at home. Live stock farmers east of Ontario would, in turn, be harmed more than those in Ontario.

Western feed grain has had a stabilizing effect on the grain market and on live stock production in Ontario, since any shortage of feed grain in Ontario has usually been offset by increased purchases of western feed grains. The Ontario Farm Economics and Statistics Branch estimated that western imports accounted for about 21 per cent of all feed grain fed in Ontario in the year 1957/58. Probably only 5 to 10 per cent of total Ontario feed grain production enters domestic commercial channels, which would account for less than one per cent of cash farm income in the province.

Feed grain imports from the West could have helped to stabilize the Ontario feeding situation without the freight subsidy, of course, but not at such an advantageous price to our feeders. What is involved here, again, is whether to encourage live stock and meat production in the West or closer to markets in the East. There is a considerable transportation disadvantage in the importation of western feed grain rather than dressed meat that is not being completely offset by the freight subsidy. Other offsetting factors are the relative abundance of protein supplements for live stock in Ontario, cheaper power

and machinery, established feeders, more market information, and perhaps fresher meat products when slaughtering takes place close to market.

Changes between 1953 and 1959 in the freight rates on dressed meats and feed grain (net of subsidy) were in the direction of favouring the purchase of dressed meats rather than feed grains from the West. Feed grain freight assistance has been fighting an uphill battle in the face of technological advances that have reduced transportation costs on refrigerated commodities from the West.

A suggestion that the disadvantage of the freight subsidy to Ontario feed grain producers be offset by a freight subsidy on Ontario feed grain shipped to the Maritimes overlooks the probability that any Western feed grain displaced by Ontario feed grain in the Maritimes would only back up and displace sales in Ontario that Ontario feed grain could otherwise have made.

(h) Trucking of Hogs

In an effort to clarify and regularize the confused situation which had developed in hog trucking (evidently due mainly to packer "kick backs" for delivery to their plants) and to provide more protection for the producer, regulations were issued in 1949 (and simplified in 1950) to require records to be kept of important details in the shipment of hogs. These regulations did not meet with satisfactory compliance until 1953 when the selling agency of the Ontario Hog Producers' Marketing Board assumed responsibility for the settlement of all payments to producers.

Under the present system, almost all hogs must be delivered from the farms to one of the 43 assembly points operated by the Hog Marketing Board's selling agency. The packers have had to bid on these hogs f.o.b. the assembly point without knowing which assembly point. Has this led to an increase in the average distance transported per hog? The efficiency of trucking the hogs to the assembly points, and then their delivery to the buyers' plant, is sufficiently in doubt to warrant a thorough study, as was suggested by the Price Waterhouse Report to the Farm Products Marketing Board of June, 1960.

Trucking costs from the individual hog producers to the assembly yards range from 50 cents to \$1.50 per hog and it is reasonable to assume that the farmer's cost of trucking his own hogs falls within the same limits. For a substantial volume of hogs handled under the Marketing Scheme, trucking charges from the assembly yard to the processor may range up to \$1.00. The processor pays for the latter trucking charge but it is reasonable to assume that the price paid by the processor to the producer takes into account the average trucking cost per hog from assembly yards to the processing plant. If there is any way of reducing the overall trucking costs per hog, the individual producer should obtain a higher return.

In view of the foregoing facts we recommend that an independent survey be made of the operations of assembly yards in order to determine the number and locations which could be expected to produce the greatest economic return for the hog producer. Such a study should make use of the modern business techniques of Operations Research. The survey should cover all aspects of assembling hogs under the Marketing Scheme and should take into account assembly yard operating costs, volume of hogs by supply areas, volume of demand by processing areas, trucking costs from farms to assembly yards and from assembly yards to processors, and other pertinent factors.

A pertinent factor that should be included in this study is probable changes in location of packing plants. The case for the Hog Marketing Board directing hogs straight from farms to packing plants should be appraised. A factor to remember is that otherwise inefficiently small commercial trucks provide valuable services in terms of return load of feeds and fertilizers, continuity and timing of service, and responsibility for the unattractive and costly loading of hogs at the farm.

(i) Trucking of Fruits and Vegetables

The initial movement by truck of fresh fruits and vegetables off Ontario farms comes under the agricultural P.C.V. exemption. Production usually takes place so close to markets in Ontario that the control of quality and rate of marketings is very difficult. The competition between truck and rail transportation in fruits and vegetables has been keen. Although rail freight rates in general increased between 1948 and 1953, Niagara fruits and vegetables moving to major Ontario and Quebec cities were an exception. These particular rates were held down by truck and water competition, and, significantly, the railways handle a higher proportion of the fruit and vegetable traffic from Niagara than from Essex County and Bradford. Railway unloads of Ontario fruits and vegetables, however, are small in Toronto and negligible in Hamilton and London. The main movement of Ontario produce by rail is to Montreal, Ottawa and Quebec City.

In general, only a minor fraction of Ontario's fruits and vegetables are sold outside the province; this produce is handled primarily by rail, but increasing amounts are moving long distances by truck. This is due to improved trucks and highways, resulting in improved services and better rates.

Rail charges that are proportionately or absolutely larger on shorter hauls adversely affect produce within Ontario and encourage produce coming in. The Potato Growers' Association, in particular, complained about penetration into Ontario markets both from the Maritimes and Manitoba due to agreed charges.

(j) Summary and Recommendations

Transportation costs usually account for an important part of the final price of farm products. Efficiency in transportation therefore is of concern to the agricultural industry in Ontario.

Transportation in Canada has long been considered as so vested with the public interest as to require careful supervision, and even participation, by government. Federal policy has decreed that it would not be in the interest of national unity for the railways always to "charge what the traffic will bear", and so lower rates have been set for many commodities. National policy has also sought to keep rail rates on long-distance traffic lower than on short hauls. The railways have tried to offset their losses on regulated long hauls by profits on unregulated traffic. Being centrally located in Canada, with generally shorter hauls, Ontario producers frequently have been caught in the middle on such arrangements.

The role of railways as a "chosen instrument" of national unity is becoming increasingly questionable. A strong argument can be made for releasing the railways from at least part of this burdensome responsibility, and permitting them greater freedom to operate competitively with highway and seaway transport.

The demand for fast, flexible, and economical transportation over short distances has favoured the growth of trucking. Most of Ontario farm products move to market by truck.

The increased competition and services provided by trucking have benefited Ontario. Railways and trucks each offer their own special advantages, and each mode of transport has something to learn from the other.

The record of savings by reorganization in milk collection and retail distribution in Britain is very good. It does not follow automatically that equally great opportunities for savings exist in Ontario. This is something that warrants more careful study by the proposed provincial milk marketing board and the proposed vertical milk marketing association.

The spirit of Section 16 of the Milk Industry Act of 1957 seems to be that milk producers should be considered as hauling their own milk when doing it co-operatively. If this is the public intention, then there is little reason

to compensate P.C.V. truckers for "goodwill" when they are bought out, or forced out, by trucking co-operatives.

There has been a tendency for the production and slaughtering of live stock to expand faster in Western Canada than in Ontario. This has been strengthened by the decline in 1959 in freight rates on dressed meat. Existing and anticipated improvements in the trucking of live stock may be expected to force rail rates down on live stock too.

Federal feed grain freight assistance was designed to increase meat production in Eastern Canada during World War II when product prices were controlled. The disadvantage of the subsidy to Ontario grain growers seems to be far outweighed by the benefits to Ontario live stock feeders.

Irregularities in hog trucking were corrected in 1953 when the Hog Marketing Board assumed responsibility for the settlement of all payments to producers. The efficiency of the present system of assembling hogs is sufficiently in doubt to warrant a thorough study.

The growing of fruit and vegetables in Ontario usually takes place so close to markets that the control of quality and rate of marketings is very difficult. Much of this produce moves to Ontario markets by truck; increasing amounts are moving longer distances by truck also.

Our recommendations on the transportation problem areas of Chapter 10 are:

1. The principle and procedure are unclear governing appeals by shippers for a more favourable rail rate or improved service. We recommend that the Board of Transport Commissioners and the railways be asked to streamline the handling of such requests.
2. Rather than risk stifling rail-truck competition by federal regulation of trucking, we recommend that the federal government be asked to relax some of its controls over railways to enable them to compete more freely with highway transport.
3. The licensing and regulation of trucking by the provinces should continue but should be standardized by federal-provincial agreement for the Trans-Canada highway.
4. We recommend that truckers' organizations be consulted by marketing boards concerning transportation regulations made or to be made by boards. This consultation would be assured by the implementation of our recommendation for vertical marketing associations.
5. We recommend that the P.C.V. exemption for co-operative hauling in Section 16 of the Milk Industry Act be amended as follows:

The words "that more than three-quarters of the shareholders or members of the corporation are producers supplying milk to a plant" be replaced by the words "that all of the shareholders or members of the corporation are producers supplying milk to a market".

6. We recommend that an economic study be made of hog assembling by an independent agency, along the lines set forth in section (h) of this chapter, in order to determine if substantial savings can be made. Regard must be had in the study for probable changes in location of packing plants.

CHAPTER 11 - FARM INCOMES, MANAGEMENT, SUPPLY CONTROL, ETC.

We return here to some of the subjects which were introduced in Chapter 4 - farm incomes, productivity, farm management, credit, extension, family farming, and supply control. Chapter 11 and Chapter 4 are intended to reinforce each other.

(a) Farm Incomes

We should explain that the 1956 Census defines a "farm" as a holding on which agricultural operations are carried out and which is (1) three acres or more in size or (2) one to three acres in size and with agricultural production in 1955 valued at \$250 or more. The Census defines a "commercial" farm as one having a potential production of \$1,200 or more. The Census defines a "milk cow" as cows and heifers two years old and over, milking or to be milked, whether or not of dairy breed. These are not very realistic or useful definitions, and they need overhauling, but they must be applied for the present.

In spite of a large and increasing production, farming produced only 2.9 per cent of Ontario's Personal Income in 1959, compared with a high of 7.0 per cent in 1951. Nevertheless, during 1957-59 cash farm income and net farm income (what is left as payment for the labour, management and capital contributed by farmers and their families) were greater in Ontario than in any other province. During 1957-59 Ontario received 31.0 per cent and 26.1 per cent of Canada's cash and net farm incomes. Although Ontario's shares have sometimes been higher than this in postwar years, they have usually been lower. Ontario's agricultural lead among the provinces may continue, at least for as long as western grain marketing difficulties continue.

The farm population in Ontario has been decreasing while farm production has been increasing. In 1941, 18.6 per cent of Ontario people lived on farms, and this proportion will likely drop to 7 or 6 per cent by 1980.

When it comes to net income per farm, however, Ontario is behind Alberta, and, in some years, behind Saskatchewan also. This is mainly due to the large number of small and part-time farms in Ontario - in 1956 there were 26,786 "non-commercial" farms (farms with a gross value of production less than \$1,200). In recent years, net income per farm in Ontario has varied around a level of about \$2,350. This is a rough average of what is left from farm operations for farm family living - for a family of four or five counting mother and father.

Net farm income per farm person in Ontario has tended to fall short of \$600 in recent years (Table 5), which is much lower than incomes of non-farm people, even after making allowance for the fact that a dollar buys more "living" in the country than in the city. Rural families live better than their incomes or expenditures in dollars would indicate. Nevertheless, unless Ontario farm people have substantial off-farm income (such as interest and dividends, rent, pensions, and off-farm work) they must have lower levels of living than non-farm people. The situation should become clearer when the Dominion Bureau of Statistics publishes its findings from a survey of off-farm incomes received by Ontario farmers.

In an attempt to understand better the behaviour of Ontario farm income, our research staff studied the relationships between total cash and net farm income in the province (both in current dollars and in "real" terms of its purchasing power) and production, improved acres, crop yields, prices of goods and services, and product prices.

Since World War II, the physical volume of output has been associated directly with net farm income in current dollars, but not with real net farm income (the level of living the income purchases). In other words, increases in farm output in Ontario (due mainly to greater efficiency) have tended to

increase net farm income but not enough to compensate for increases in the cost of living of farm people. Since the volume of total farm output has had little to do with the level of farm living in Ontario, the important influences must have been farm prices and costs. The favourable relationship between farm product prices and the prices of goods and services used in farming which existed during and after World War II worsened after 1951. The declining real net income has been related to the price-cost squeeze.

Looking back over the last 25 years, certain periods of varying farm fortune can be distinguished in Ontario. The period 1945 to 1951 was better than could normally be expected. Even the period 1951 to 1953 was considerably better than the bad period 1935 to 1942. The recent period 1953 to 1959 was worse than could normally be expected, but it was still better than 1935 to 1942.

Although real farm income is mainly determined by prices, and prices are partly determined by forces external to Ontario agriculture, individual Ontario farmers must not abandon their efforts to increase efficiency - to do so would be to invite still lower levels of living because efficiency is like a treadmill.

It is interesting to note in Table 5 that real net income per farm worker per year has not fared as badly as has real net income per farm person. This reflects a decrease in the proportion of the farm population actively engaged in farming, and it increases the significance of the forthcoming findings from the Dominion Bureau of Statistics off-farm income survey.

A glance at the sources of Ontario farm income in Table 6 reveals that Ontario agriculture is primarily oriented toward live stock production. In 1959, 75.0 per cent of Ontario cash farm income came from sales of live stock, dairy, and poultry products. It seems vital to keep this in mind, as we maintain in Chapter 14.

The relatively great importance of the live stock industry in Ontario agriculture has not varied much from year to year. Dairying has provided the most stable source of live stock income.

The importance of agriculture in Ontario varies a great deal from region to region. Estimates in Table 7 show that in 1959 South-western Ontario (the Southern and Western regions shown in Map 1 in Chapter 4) accounted for about 73 per cent of Ontario net farm income. The importance of agriculture in South-western Ontario increased during the last decade. A larger proportion of the province's cattle, including dairy cows, became located in Southern and Western Ontario. (The counties included in each of these regions are listed in the footnote to Table 7.)

One should beware the fallacy of averages. Low farm incomes are an average situation, and as such bring together good as well as poor farm incomes. The distribution of income among farms is very unequal, even if small-scale, part-time and institutional farms are excluded. There are some good, well-managed farms in Ontario that are returning a very satisfactory living to their farm families. Heading from Table 8, we find that the top 14.3 per cent of Ontario's commercial farms in 1950 produced 40.3 per cent of commercial cash farm income. The bottom 30 per cent of Ontario's commercial farms only accounted for about 11 per cent of commercial cash farm income. If the small-scale and part-time farms had been included in these calculations, the inequality in income distribution would be considerably greater.

The average farm income position is understated to some extent because the statistics do not include off-farm income. Improvements in net worth due to capital gains also should be taken into account.

TABLE 5: REAL NET INCOME, PER FARM WORKER IN ONTARIO, 1940-1959
(Expressed in 1959 dollars)

<u>Year</u>	<u>Dollars per Farm Worker^a</u>	<u>Dollars Per Farm Person</u>
1940	838	360
1941	1,110	501
1942	1,538	647
1943	1,840	644
1944	1,671	700
1945	1,820	768
1946	1,560	712
1947	1,722	737
1948	1,973	813
1949	1,822	737
1950	1,752	634
1951	2,285	775
1952	1,968	642
1953	1,903	624
1954	1,425	541
1955	1,666	597
1956	1,699	541
1957	1,842	546
1958	2,409	634
1959	2,014	561

a i.e. per man year

Sources: Adapted from D.B.S.: Farm Net Income, annual, Labour Force No. 1945 - July 1958, Census of Population (with straight-line inter-censal interpolation), and Eastern Canada Index of Farm Family Living Costs.

(b) Productivity and Economies of Larger Scale

The "agricultural revolution" of recent time has been mainly technological - that is, the application of the findings of science to agriculture. Technology has found many ways of saving human and animal power by using larger amounts of mechanical and electrical energy in new ways. Scientific advances have been applied to soils and crops, and to the breeding, feeding and care of live stock, so that land, live stock and facilities have been economized. There are good reasons for believing that more spectacular technological improvements have yet to come from organized research.

The number of farm people actively engaged in farming in Ontario has declined faster than the farm population. The labour force in Ontario agriculture has declined by about 41 per cent since World War II at the same time as output increased by about 35 per cent. The output per worker therefore has increased rapidly - by about 130 per cent since World War II. The output per farm worker has increased because of the substitution of more productive capital, especially machinery, for labour. It is interesting to contrast the present labour requirements with the following situation described in the Ontario Agricultural Commission Report of 1881:

The opinion of good farmers is, that not less than three adult males, or a force equal to that strength, should be employed on every 100-acre farm, and can be so employed profitably.

Agricultural production has been increasing in Ontario on a shrinking land base. One reason this was possible was the replacement of about 450,000 horses by tractors during the last two decades, which released about one and a half million acres of land. Much, but not all, of this released land was shifted from producing feed for horses to other crops.

TABLE 6. SOURCES OF FARM CASH INCOME IN ONTARIO IN 1959.

<u>Commodity</u>	<u>Per Cent of Cash Income</u>
Wheat	0.7
Oats	0.5
Barley	0.1
Potatoes	1.3
Fruits	1.8
Vegetables	4.9
Tobacco	9.8
Other Crops	5.3
TOTAL Crops	24.4
Cattle and Calves	23.8
Hogs	14.7
Sheep and Lambs	0.3
Dairy Products	21.3
Poultry	6.7
Eggs	7.5
Other Live Stock Products	0.7
TOTAL Live Stock	75.0
Forest and Maple Products	0.6

Sources: D.B.S., Handbook of Agricultural Statistics Part II Farm Income 1926-57, revised, and Cash Income from the Sale of Farm Products, annual.

TABLE 7. ESTIMATED REGIONAL PROPORTIONS OF ONTARIO NET FARM INCOME, 1959.

<u>Region^a</u>	<u>Per Cent of Total Net Income</u>
Southern Ontario	37.8
Western Ontario	34.8
Central Ontario	10.2
Eastern Ontario	12.9
Northern Ontario	4.3
Province	100.0

- ^aSouthern Ontario comprises the following counties: Brant, Elgin, Essex, Haldimand, Kent, Lambton, Lincoln, Middlesex, Norfolk, Oxford, Welland, Wentworth.
- Western Ontario comprises: Bruce, Dufferin, Grey, Halton, Huron, Peel, Perth, Simcoe, Waterloo, Wellington.
- Central Ontario comprises: Durham, Haliburton, Hastings, Muskoka, Northumberland, Ontario, Parry Sound, Peterborough, Prince Edward, Victoria, York.
- Eastern Ontario comprises: Carleton, Dundas, Frontenac, Glengarry, Grenville, Lanark, Leeds, Lennox and Addington, Prescott, Renfrew, Russell, Stormont.
- Northern Ontario comprises the following districts: Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Rainy River, Sudbury, Thunder Bay, Timiskaming.

Sources: Estimated from D.B.S., Statistics of the Economic Regions of Ontario and Quebec, 1956, and Ontario Farm Economics and Statistics Branch, Agricultural Statistics for Ontario, annual.

TABLE 8. INCOME DISTRIBUTION OF COMMERCIAL^a FARMS IN ONTARIO, 1950

Value of Products Sold per Farm \$	Number of Commercial Farms	Cumulative Per Cent	Estimated Value Of Products Sold (\$ thousand)	Cumulative Per Cent
20,000 and over	1,922	1.8	63,089	12.0
15,000 to 19,999	1,801	3.5	31,518	18.0
10,000 to 14,999	4,651	7.9	58,138	29.0
7,500 to 9,999	6,804	14.3	59,535	40.3
5,000 to 7,499	16,770	30.2	104,813	60.2
3,750 to 4,999	16,382	45.7	71,671	73.8
2,500 to 3,749	24,747	69.1	77,334	88.5
1,200 to 2,499	32,742	100.0	60,573	100.0

^a"Commercial" is used here in the 1956 Census definition sense of a farm with a value of production of \$1,200 or more.

Source: 1951 Census of Canada, Ontario Agriculture.

Other reasons for the increase in production from less land were rising yields per acre and improvements in feed conversions. Field crop yields have been increasing faster than fertilizer use. About 20,000 additional tons of fertilizer have been used each year during the last two decades. Better machinery, more timely tillage and harvesting, chemical weed control, superior crop varieties, and better fertilizers have contributed, along with more fertilizer, to improving crop yields. Our comparisons between output and fertilizer-use suggest that increasing returns to fertilizer-use prevail - that is, it should pay Ontario agriculture to use more fertilizer.

In general, field crop yields appear to have increased faster than for live stock. This would be important, if true, in view of the fact that 75 per cent of Ontario's farm income comes from live stock. It is difficult to obtain statistics on productivity of live stock with the exception of dairy cows and laying hens. Table 9 shows the trends to greater milk production per cow and eggs per hen.

From dairy farm statistics available to us, it appears that costs of producing milk are usually lower for the larger herds. Other information from the Ontario Department of Agriculture suggests a similar tendency for several other farm products, although this evidence is inconclusive because the decreasing costs exhibited for specialized enterprises on these farms might be gained at the expense of higher costs in neglected enterprises.

Mechanization, which initially may be forced upon the farmer by a shortage of cheap labour, often becomes economical only when output is expanded. For example, a hay baler is an expensive machine with sufficient capacity to harvest several hundred acres of hay a year. Moreover, the tradition of private ownership and the difficulty of obtaining timely custom baling cause farmers to buy balers. Small farms with balers therefore tend to encounter economies in larger-scale forage operations.

(c) Farm Management, Credit, Extension and Family Farming

There are only three basic lines of adjustment open to a low-income farmer - adjust the organization and operation of his farm to meet changing conditions of production and marketing, or supplement his farm income with off-farm income, or leave agriculture. The existing enterprises on the farm may not be suitable, or the size of operation may not be adequate, or the combination of factors of production may not be correct, or the farming methods and marketing practices may not be right.

Because basic economic conditions and the pattern of demand keep changing,

TABLE 9. TRENDS IN MILK PRODUCTION PER COW AND EGGS PER HEN, ONTARIO, 1930-1959

Year	Pounds Milk per Cow per Year	Eggs per Hen per Year
1930	4,255	83
1931	4,697	104
1932	4,387	104
1933	4,353	115
1934	4,419	118
1935	4,515	119
1936	4,800	121
1937	4,748	120
1938	4,953	120
1939	4,979	119
1940	4,782	119
1941	4,796	120
1942	5,126	122
1943	4,931	121
1944	4,837	123
1945	4,982	125
1946	4,814	157
1947	5,032	153
1948	4,847	161
1949	5,112	159
1950	5,023	163
1951	5,277	168
1952	5,270	189
1953	5,291	193
1954	5,416	179
1955	5,508	180
1956	5,484	187
1957	5,670	191
1958	5,925	197
1959	6,107	200

Sources: D.B.S. Canada Year Book, and Quarterly Bulletin of Agricultural Statistics;
 Ontario Farm Economics and Statistics Branch, Agricultural Statistics for Ontario.

the need for adjustment in farming is continuous. The adjustment record depends a great deal on the managerial capacity of the farmer - on his ability to see or understand quickly what changes are needed, and then to carry them out without delay. The incomes of individual farms are closely related to their management. There are all gradations of capacity and efficiency among farm operators. While some farmers are taking great strides to beat the price-cost squeeze, many others are doing very little and look elsewhere for answers.

Increased adjustment-oriented research in farm management is needed. Farm management extension can help the commercial farmer analyse his adjustment needs. Farm credit can help him make the needed adjustments. Credit can also be used to help implement governmental adjustment programs, such as Rural Development, which involve non-commercial farms. Better still, non-commercial farmers who seek to migrate can be helped to do so by a credit policy which also makes it possible for a neighbour to acquire the farm for consolidation into a more efficient unit. Provision should be made for all of these needs in the Agricultural (Production and Marketing) Adjustment Act proposed in Chapter 13.

Successful farm management does not only mean physical efficiency - it means business or financial competence as well. Business skill is more often inadequate

in farming than technical proficiency, probably because farmers traditionally have not thought of their occupation primarily in business terms. Even in the Ontario Agricultural Commission Report of 1881 reference was made to "...what may at first sight appear to be the comparatively small profits of the ordinary farmer for his outlay." Increasingly, however, farmers talk in terms of achieving money income on a par with other occupations. This shift in thinking has not been completed, the typical farmer still attaches his own values to country life, independence, etc. Basic agricultural objectives require considerable clarification before a consistent policy program can be constructed.

Frequent mention has been made of the trend to fewer and larger farms. A study of farm accounts shows that both overhead and working capital requirements are increasing rapidly. Cash expenses are increasing faster than total expenses. The amount of capital per worker is higher in farming than in most other industries. Moreover, the tradition of family farm owner-operation means that the farm capital has to be re-financed every generation. Owner-operation is becoming more difficult to finance and to justify, especially for young and new farmers. Risk and the need for capable management are increasing.

In a study of capital needs of low-income family farms in South-western Ontario in 1959, B.B. Khare wrote: "Farmers desire more capital. About 88 per cent have said that today's agriculture is more business-like than ever before.... About 65 per cent replied that adequate credit is not available. About 97 per cent of the farmers replied that they required more advice from experts, not only regarding the use of credit and bookkeeping but also about the new technological advances in agriculture." What management advice and credit are available to Ontario farmers?

The major sources of farm credit in Ontario in estimated order of importance are:

1. Individuals and merchants.
2. Chartered bank loans and Farm Improvement loans.
3. Government:
 - (a) The Federal Farm Credit Corporation.
 - (b) Up to 1959, the Ontario Junior Farmers Establishment Loan Corporation.
 - (c) The Veteran's Land Act.
4. Credit Unions.

Interest rates, eligibility, terms and limits vary according to the lending source. Unfortunately, definite information on the total amount of farm indebtedness in Ontario is not available, but it is probably over \$400 millions. In view of the large and rapidly increasing capital required to finance an economic family farm (and having in mind the size-of-loan lag of government credit agencies) increasing resort may be had in future to capital sharing, either in the form of improved landlord-tenant leases or joint-stock financing. It may well be that the upper limits to government loans should have an "escalator clause", for example tying the maximum to an index of farming costs. It should be kept in mind, however, that there are variable limits to the economic size of a family farm, depending on the type of farming, the quality of the farm, and the management capacity of the farmer.

The amount of farm management assistance being given to Ontario farmers depends on how "farm management" is defined. We define farm management as the study of the farm business to detect and adjust the key factors limiting income. In this sense, the Farm Economics Branch at Toronto, the Economics and Extension Education Departments at Guelph, supervised credit agencies, and farm management clubs are the most active in farm management extension. There are only two private farm management consultants operating in Ontario. A few individual Agricultural Representatives have also done pioneering work in farm management extension, and the Extension Branch as a whole is giving increased emphasis to this approach.

Farm management advice of varying kinds also is available through the mass communication media of radio, television, newspapers and farm magazines. Businesses supplying agriculture and marketing farm products are doing more extension work each year, particularly with contracting farmers. Background information for farm management is available from experimental stations, agricultural colleges, and commercial banks. There is a great need for education among farmers on available sources of information.

Modern farm management extension involves providing the information needed for understanding a wider range of alternatives open to the farmer and showing him how to analyse which of these adjustment alternatives is most likely to achieve the goals desired by him. Increasingly the main goal is higher net farm income.

If farm management extension is to be stressed by the Agricultural Extension Branch, applied research has to be expanded, the Agricultural Representatives have to be trained accordingly, and then a definite program of farm management for extension has to be laid down at head office. The "two blades of grass" approach has to be translated into value-added terms. Farmers also have to be helped in the more difficult area of adjusting their farming and living to changing economic conditions.

The Agricultural Representatives of the future should be farm management generalists (adjustment advisors). In the commercial farming areas, the adjustments will mainly apply to farming operations, but in the marginal farming areas the adjustments will be mainly Rural Development in nature. (The role of Rural Development in agricultural adjustment policy is discussed in Chapter 14.) These considerations point up the need for converting agricultural representation from county lines to type-of-farming areas.

After diagnosing key income-limiting factors, the Agricultural Representative should be able to call in appropriate members of a regional team of specialists to help the farmer and his family chart an integrated course of adjustment in family farming and farm family living. A study of the business of farming would be incomplete without explicit consideration of farm household management - together they form modern family farm management. Low levels of living tend to be found on farms with a low volume of farm business and high levels of living on farms with a large volume of farm business. The Agricultural Representative should be a socio-economic integrator, not only at the individual farm level but also for the community and region which he serves. He would not have time to serve as secretary to special local groups.

Family farming will continue for the foreseeable future to remain the predominant form of farming in Ontario. Family farming can be economically sound, and is socially desirable provided it enables the farm family to earn a decent level of living. In this sense, family farming was one of our guiding principles listed in Chapter 6. The best way for governments to preserve family farming is to promote farming conditions which enable the farm family to earn a decent level of living. We reject the traditional concept of family farming based entirely on the physical, mental and financial contribution of the farmer and his family in favour of a concept which also includes the level of living. Ours is a welfare approach that regards the family farm as a consuming unit as well as a producing unit. We are thinking in terms of an acceptable level of living by modern standards. The income need not all be earned from farming. Accordingly, our definition of a "family farm" is: a farm on which most of the labour and management are provided by the farmer and his family and which returns to the family a level of living considered acceptable by them and the community at large.

There has been an up-grading of living standards by farm families since World War II. The gap between urban and rural levels of living has been narrowing as far as basic conveniences are concerned. At the beginning of 1961, 90.6 per cent of Ontario farms had electric power. Increasingly farm families can list among their prized possessions drudgery-saving appliances such as

power washing machines, electric or gas stoves, electric freezers, vacuum cleaners, electric floor polishers, etc. The feeling of isolation among farm people is being dispelled by better roads and communications (telephone, radio, television, daily papers, magazines and market information). Urban and rural cultures are increasingly intermingled. Farm children enjoy improved educational opportunities.

The business of family farming is to earn a decent living for the farm family, and farm women play a vital role as partners with their husbands in this effort. We commend the Canada and Ontario Departments of Agriculture for the Special Study of Ontario Farm Homes and Homemakers which they have been making.

The Special Study interviewed 352 farm homemakers across the province in July 1959. Table 10, which we have borrowed from the Special Study, shows the important outdoor farm activities of Ontario farm homemakers. Field work and work with dairy cattle by homemakers is less frequent in the more commercialized farming areas. A higher proportion of the homemakers in Northern and Central Ontario helped with field work than in Eastern, Southern and Western Ontario. In spite of the importance of dairying in Southern and Western Ontario, a smaller proportion of the homemakers in these regions helped with dairying than in Central, Eastern and Northern Ontario. It is interesting to note, however, that a higher proportion of the homemakers helped with the farm accounts in Southern, Western and Eastern Ontario than in Northern and Central Ontario.

TABLE 10. OUTDOOR FARM ACTIVITIES OF 352 FARM HOMEMAKERS, ONTARIO, 1960.

<u>Activity</u>	<u>Per Cent of Homemakers Engaged in Activity</u>
Gardening (including vegetables, fruit, flowers)	89
Cattle (cleaning milkers and pails and/or milking and/or feeding)	61
Poultry (feeding and/or cleaning eggs)	53
Keeping farm accounts	42
Fieldwork (haying, harvesting, combining, ploughing, etc.)	26
Other farm work (including driving tractor or other machine, 13 marketing produce, feeding hogs and other live stock)	13

Source: Helen C. Abell and others, Progress Report 4 of "Special Study of Ontario Farm Homes and Homemakers", Canada and Ontario Departments of Agriculture, 1960.

The ability of the farm housewife to keep farm accounts and manage household funds obviously is a key factor in the success of family farming. Children also play a significant part in family farming, starting at age nine or ten with farm work, and younger with household chores.

The following preliminary information from the Special Study has been supplied to us through the courtesy of its Director, Dr. Helen C. Abell.

Eight per cent of the 352 farm operators were born outside of Canada. Concerning the present address of the 1,065 living sons and daughters of all ages of the 352 Ontario farm homemakers surveyed, 75 per cent were living in their parents' home on the farm, 6 per cent were living on their own farms in Ontario, 15 per cent were living in a farm or city in Ontario, 2 per cent were living in Canada west of Ontario, 1 per cent were living in Canada east of Ontario, and 1 per cent were living in the United States. A higher proportion of the male children than of the female children were living in their parental home and home rural environment.

Thirty-five per cent of the children had finished their formal education, and 49 per cent were in the process of acquiring it. Sixteen per cent were of preschool age. The average grade completed was between grade 10 and 11. Boys tended to leave school earlier than girls, and girls tended more often to get

training beyond high school.

A recent Michigan study on Orientations Toward Occupation and Residence of high school seniors in rural counties found that farm sons had the most favourable attitudes toward their home community. Well over half of the students said they would remain in their home community, if jobs were available. It is to be noted, however, that the preference of both male and female students in the Michigan study was white-collar jobs.

The Special Ontario Study showed that only about one son per five farm families was farming in 1959. Of the farm families having sons farming, usually there was just the one son farming.

Of the 183 mature sons, 33 per cent were farming and another 7 per cent were doing some unskilled non-farm work along with some farming. Thirty-seven per cent of the mature sons were in non-farm skilled, semi-skilled and unskilled work, 9 per cent were in professional and managerial work, 9 per cent were in clerical and sales work, 3 per cent were in service employment, and 2 per cent were seeking employment.

Of the farming sons, 60 per cent were living on their parents' farm, 34 per cent were working on their own farms, and 6 per cent were employed as farm workers on other farms. The proportion of sons farming on the parental farm with intentions to remain was considerably less than for those farming elsewhere.

The average age of the farming sons was 29 years. One-quarter of the farming sons were living on their own farms where they were full-time, self-employed farmers. They were married, averaged 35 years of age, and had completed an average of 9 years of formal education. The sons working as hired farm workers had less schooling than the others.

The Special Ontario Study indicates that two types of farms in Ontario are producing more than their share of farming sons - those with a large volume of farm business and high level of living, and those with a small volume of farm business and a low level of living. The sons from medium-income farms are inclined to seek non-farm employment. These tendencies could lead to an increasingly wide gap between richer and poorer farms.

The Enquiry Committee believes that the results of the Special Study support the view that there is a great need for increased formal education of farm children, especially technical training, and also for more short courses stressing farm business management, especially for young farmers.

(d) Supply Control

Twenty years ago, Canadian agriculture was called upon to expand its production rapidly in order to supply special wartime and immediate postwar needs. Farming prospered in Canada in the process, but became over-expanded in relation to normal peacetime export and domestic markets, as has been painfully evident since 1951. Exports have been accounting for a declining share of the production of most farm products in Canada.

A depression in agricultural incomes comes largely through falling prices and rising costs, whereas in other industries a depression comes more by way of reduced output and unemployment. Agricultural production is more expansible than contractible, due mainly to economies of larger-scale operation, rapid technological advance, and the inertia of human and other resources committed to farming. As the United Co-operatives of Ontario expressed it in their Brief - give farmers some assurance that they will not have disastrous prices and they can pour out food in unprecedented quantities.

The tendency to maintain or even increase production during prolonged periods of low prices, instead of cutting back on production to bolster prices as in

other industries, aggravates the situation. Agriculture then goes through what is aptly termed "the wringer". Various remedies have been tried or suggested to correct this maladjustment. In recent years, national supply control by a network of quotas has been suggested as a solution to the problem of low farm prices and incomes. Evidently this solution appears too drastic to many farmers who still treasure their freedom to produce. Recently published results of Farm Forum discussions revealed that 69 per cent of the Farm Forums across Canada were not in favour of a national price policy that would involve quotas and price setting by a board representing the public interest. As far as Ontario Agriculture is concerned, supply control would not be an appropriate policy because Ontario is not surplus, but rather deficit, in the production of most farm products. A brief examination of supply control may serve to clarify Ontario's interests in the subject, however, since it could become an important issue in Canada.

Advocates of supply control maintain that it can limit output at otherwise incentive price levels, and help in the orderly disposition of surpluses. Supply control means the deliberate adjustment of supply to demand in order to maintain prices considered to be "fair" by the control agency. Since it is unlikely that parliament would delegate the control power to producers, the control agency presumably would be governmental (probably national marketing boards, as we point out in Chapter 14).

Experience with supply control of fluid milk in Canada and with other products in the United States indicates that the control of the output of most, if not all, farmers would be required (Chapter 8). It would be necessary to control entry into the industry, because of complex interrelationships among agricultural products. Control by restrictions on inputs, such as acres of land, is ineffective since farmers intensify their use of other resources or switch from one product to another. To avoid harming uncontrolled products, controls would have to be pervasive. Each product would have to be given a quota, to be allocated to individual farmers according to some basis of past performance. Co-ordinated control among competing producing provinces and other regions would be necessary, except for one or two products produced mainly in Ontario. Due to the realities of national policy, a deficit region like Ontario, as well as surplus regions, would be subject to quotas. Because of the political problem of allocating quotas across Canada, we are extremely doubtful if a system of quotas would work to the advantage of Ontario farmers.

Unless imports are restricted, the benefits of control would evaporate. Higher prices due to supply control could seriously discourage exports unless a two-price system was combined with controls. (Two-price systems are discussed in Chapter 14.) If prices and incomes are raised by control, they become capitalized into higher land values so that the original participants make a capital gain but subsequent producers operate at higher cost without sharing in the benefits. Any commodity control program subject to annual and seasonal variations in yield would require an auxiliary storage program.

One of the probable results of comprehensive supply control would be faster vertical integration of processors and distributors. Control would only postpone adjustments in farming to trends in demand and supply. A declining demand for a commodity would leave no alternative but to reduce resources producing it, as the surplus butter situation in Canada shows. Basic obstacles for supply control to face are other government programs which have the effect, if not the goal, of expanding production.

In order not to freeze the existing pattern of production, and perpetuate uneconomic farms, quotas would have to be made negotiable. This would accelerate the departure of high-cost producers with some cash in their pockets. The same would be true of high-cost regions, unless the interprovincial negotiability of quotas were restricted by national policy.

(e) Summary and Recommendations

Chapter 11 deals more fully with some subjects which were introduced in Chapter 4 - farm incomes, productivity, farm management, credit, extension, family farming, and supply control.

The farm population in Ontario has been decreasing while farm production has been increasing. By 1980, only about six or seven per cent of Ontario's population will be living on farms.

Ontario farm people, unless they have substantial off-farm incomes, have a much lower average level of living than non-farm people.

Ontario agriculture is primarily oriented toward live stock production. Income from live stock is relatively stable, particularly from dairying.

The importance of agriculture in Ontario varies a great deal from region to region. South-western Ontario north of Lake Erie accounts for about 73 per cent of Ontario's net farm income.

The distribution of incomes among farms also is very unequal. There are thousands of low-income farms at one extreme, and there are hundreds of farms that are returning a very satisfactory living to their farm families at the other extreme.

The output per farm worker has increased rapidly since World War II because of the substitution of more productive capital, such as machinery, for labour.

Because basic economic conditions and the pattern of demand keep changing, the need for adjustment in farming is continuous. The adjustment and income records depend a great deal on the managerial capacity of the farmer - on his ability to see or understand quickly what changes are needed, and then to carry them out.

Increased adjustment-oriented research in farm management is needed. Farm management extension can help the farmer to analyse his adjustment needs. Farm credit can help him make the needed adjustments. If adjustment calls for leaving farming, a Rural Development program can help. Provision should be made for all of these in the Agricultural (Production and Marketing) Adjustment Act proposed in Chapter 13.

Modern farm management extension involves providing the information needed for understanding a wider range of alternatives open to the farmer and showing him how to analyse which of these adjustment alternatives is most likely to achieve the socio-economic goals desired by the farmer. The agricultural representative of the future should be a farm management generalist (adjustment advisor or socio-economic integrator), with regional agricultural specialists on call.

Family farming will continue for the foreseeable future to remain the predominant form of farming in Ontario. In view of the large and rapidly increasing amount of capital required to finance an economic family farm, however, increasing resort may be had in future to capital sharing. Our definition of a "family farm" is a farm on which most of the labour and management are provided by the farmer and his family and which returns to the family a level of living considered acceptable by them and the community at large. The business of family farming is to earn a decent living for the farm family, and farm women play a vital role as partners with their husbands in this effort.

Two types of farms in Ontario are producing more than their share of farming sons - those with a large volume of farm business and high level of living, and those with a small volume of farm business and a low level of living. These tendencies could lead to an increasingly wide gap between

richer and poorer farms. There is a great need for increased formal education of farm children, especially technical training, and also for more short courses stressing farm business management.

Supply control, if it included most products and most farmers in Canada, could raise farm incomes in Ontario, initially at least. It would pose formidable administrative problems and would meet with a hostile public unless administered governmentally to protect the public interest. It would tend to freeze the present pattern of farming unless the quotas were negotiable. Negotiable quotas would speed up the trend to fewer and larger farms. Ontario is deficit in most farm products; so supply control would be inappropriate. A better way than supply control to raise farm incomes in Ontario would seem to be for fewer and larger farms in the province to supply an increasing share of the expanding market.

Our recommendations from Chapter 11 are:

1. We recommend that the Department of Agriculture make representations to the Dominion Bureau of Statistics that certain Census definitions such as "farm", "commercial farm" and "milk cow" be revised to give them a more realistic and useful meaning.
2. We recommend that governments adopt a definition for "family farming" that places more emphasis on the ability of the farm to earn a decent level of living for the farm family. We have explained our definition in Chapter 11.
3. We recommend that the Department of Agriculture place increasing stress in its production research, extension and information work upon farm business management as a major solution for low farm incomes of those people remaining in farming, and upon educating farmers concerning the available sources of information on better farming. More short courses are needed.
4. We recommend that the Department of Agriculture make representation to credit agencies operating in the province to tie their credit more to income-returning adjustments on farms that can provide acceptable standards of living, and more to Rural Development for submarginal farms.
5. It is impossible to make farming profitable for all farmers presently operating; it is the responsibility of the provincial and federal governments to see that agricultural programs operating in Ontario do not interfere with the adjustment trend to fewer and larger family farms.
6. There is a great need for increased formal education of farm children, especially technical training.
7. In view of the overwhelming importance of live stock farming in Ontario, we urge the Department of Agriculture to promote, in every way possible, greater efficiency in live stock production and marketing in order to improve Ontario's competitiveness in this area.
8. Supply control would not work on a provincial basis, except for one or two farm products grown almost exclusively in Ontario. At least if supply control on a national basis would work to the advantage of Ontario farmers because of the problems of allocation quotas across Canada. A key recommendation of our Report is, rather, that Ontario agricultural production should increase and capture a larger share of Ontario's expanding market, as explained in Chapter 14 and elsewhere in the Report.

SOUTHERN AND NORTHERN ONTARIO PROSPECTS

The topics of this chapter (Metropolitan Markets in Southern Ontario, and Northern Ontario Agriculture) were originally approached by us on a separate basis, each topic for its own sake. As the studies turned out, however, they carried two key lessons in common - the overwhelming importance for farming in Ontario of large, expanding and close markets, and the need for integrated "town-and-country" land-use planning and development. For this reason, we have placed both of the topics in the present chapter where, by close contrast, they can more effectively make their common points.

A. Metropolitan Markets in Southern Ontario

An increasing number and proportion of Ontario people are living in large towns and cities. (See Map 1 of Southern Ontario in Chapter 4 and Map 2 of Northern Ontario in Chapter 12B.) In 1959, 57 per cent of Ontario people lived in cities of over 40,000. We expect that nearly 75 per cent of Ontario people will live in cities of over 40,000 by 1980.

In Chapter 2 we forecast a general increase in incomes of Ontario people, but the incomes of urban people are likely to remain higher than the Ontario average, which means that more than 75 per cent of the purchasing power of Ontario people in 1980 may be wielded by people living in cities of over 40,000. If the present rate of growth in the "Golden Horseshoe" (an area stretching from Oshawa west through Toronto, around Hamilton, and east to Niagara Falls) continues, it will have a population of five million by 1980. It has been claimed that 30 per cent of the total purchasing power of Canadians already resides in the Golden Horseshoe.

The word "metropolitan" comes from the Greek word for "mother city". We use the term "metropolitan market" in the sense of a group of urban communities, having a recognizable centre, that are in close geographic, economic, political, and social intercourse. Toronto is a leading example.

We are interested in the impact upon agricultural production and marketing in Ontario which expanding metropolitan markets are having and are likely to have in the next two decades. Urbanization, higher incomes, reduced working hours, more time for leisure, and the general use of automobiles are changing the pattern of living throughout Ontario.

Metropolitan markets act as focal points for price-determining forces, and also dominate advertising, new product development and other aspects of modern marketing. Because of the number of buyers and sellers assembled in large markets, prices there tend to be more competitive. Whether the prices established are competitive or not, however, they are widely known and become influential partly because they are known. Modern mass media of communication, especially something as expensive as television, must reach a large audience to pay. Therefore, advertising is usually beamed at the big-city dweller. Changes in processing and packaging, and the development of new products are largely governed by the possibilities of mass distribution. The shopping centre and supermarket, which have had so profound an impact on food marketing, were developed to service the integrated residential subdivisions of the modern metropolis.

Studies indicate that metropolitan residents prefer proximity for food, medical care and movies; while major clothing items and household furnishings are usually purchased "downtown". For products such as food, suburban population densities are adequate to achieve economies of volume sales. Suburban shopping centre advantages such as car parking and family shopping are important. Modern suburbia is dependent on the automobile.

A supermarket usually dominates a suburban shopping centre, and zoning prohibits nearby competition. As pointed out in Chapter 8, competition in food retailing has taken on non-price forms. It has been largely a battle among giant chains for choice supermarket locations and satisfied customers.

With the trend to urban living are associated numerous changes in the food habits of consumers. Housing units in large cities seldom have large kitchens or spacious food storage. Home canning has virtually disappeared. Food processing and storage are almost entirely specialized, commercial operations. Apartment dwellers have demanded light, disposable containers for food, and eat out more frequently. With modern living goes an increased demand for city parks, greenbelts around cities, highway picnic tables, good roads to beaches, lakefront properties, etc. City children usually live close enough to schools not to have to carry lunches.

In the early stages of settlement, farming tended to gravitate to land that was readily accessible, and to be self-sufficient. But as towns and cities grew up around trading, industrial and service centres, agriculture gradually became commercially oriented to these markets. Nearness to growing markets became as important as soil fertility and climate in determining changes in location and type of farming. Urbanization affected not only the location of farms and the products produced, but also processing and distribution. It changed land values and rents and altered the problems and outlook of farm people.

Transportation costs and varying degrees of perishability of foods tend to result in a pattern of production in concentric zones around the metropolitan markets, with the most perishable and least transportable goods being produced closest to the market. These zones are not regular, of course, due to distorting factors like rivers and hills, railways and highways, good and poor patches of soil, and over-lapping zones of another metropolitan market.

Farmland values tend to decline with increasing distance from a metropolis - the supply of farmland increases with the distance, and the demand for other uses decreases. Only farmers who plan a very intensive type of use and who benefit greatly from closeness to the market, such as market gardeners and hobby farmers, can afford land close to the metropolis. Although milk now comes to Toronto from as far away as 150 miles, the influence of the metropolis on land values appears to be very weak beyond 100 miles.

"Leapfrog farmers" are a by-product of urban growth. These are farmers who sell out near the city at high prices and then move back one or two counties to buy another farm. They usually bring with them, in addition to the capital to buy good live stock and implements, knowledge and experience in intensive land use, such as fertilizer and drainage. They can set good examples of more advanced farming for their new neighbours. Even if they fail in farming, their gradual consumption of the original capital can stimulate business conditions locally.

Food production patterns tend to sort themselves out with respect to markets so as to minimize transportation costs. The increasing mileage required to move food from farms into a metropolitan market, however, represents only a part of the rising costs of transportation. Indirect costs of traffic congestion in the heart of the metropolis, and of low population density for suburban deliveries, rapidly mount up. The distribution of food by truck in metropolitan areas in Ontario is a large and rapidly growing business. The Report of the Royal Commission on Price Spreads of Food Products estimated that well over half of the total cost of urban trucking of food for Canada in 1957 was incurred in Ontario.

The growth of low-density housing in suburban or "rurban" areas for people who commute to city jobs is aptly called "urban sprawl". The fact that city workers can pay more than farmers for the land usually reflects the fact that it is cheaper to move farm products greater distances to the city than it is to move commuters those same distances.

Substantial social costs are involved in urban sprawl, such as public services (roads, schools, etc.), and the wastes of commuting. Property taxes on nearby farms rise faster than on suburban residences to meet the expensive public services attending metropolitan development. The farmers bear high land tax burdens for purposes such as education. These farmers often decide to sell for two main reasons - high land taxes and high market prices for their land for suburban development. The threat of tax increases can force unsubdivided farmland into speculative idleness or short-sighted exploitation.

The trend is toward sprawling metropolitan areas across Southern Ontario, which gobble up good farmland. The establishment of industries in formerly rural areas also can mop up labour from nearby farms. Both of these results also have their good sides, however. Not only does the farmer benefit who sells out at subdivision prices, but the presence of nearby industry provides farm people with an opportunity for full-time or part-time work at attractive wages, and provides a source of part-time help on the farm. Intricate networks of transportation arteries feeding metropolitan markets require more and more land. Passengers and freight will move farther and, generally, faster. The result will be closer economic integration between the metropolis and its hinterland.

Large cities require large airports. The total amount of farmland consumed by airports is not great, but the presence of airport facilities and a large market means an increasing importation of exotic perishable foods and flowers. Air traffic in food products has increased considerably in recent years, and more rapid strides may be near.

The St. Lawrence Seaway is stimulating the growth of metropolitan areas along Lakes Ontario and Erie.

In the Niagara district, in the area below the escarpment, present indications are that the population will increase in the low-density manner already referred to as urban sprawl. An eventual shortage of Niagara fruit land is clearly indicated. In the face of advancing urban development, fruit land lies idle because of a reluctance to plant orchards, which take three or more years to mature. Fruit land bought on speculation either is neglected or is rented under tenure conditions that do not encourage good farming practices.

Peaches and sweet cherries can be grown commercially only on light well-drained soil in locations with a low frost hazard. Non-peach soils in the Niagara area are used for the other fruits which provide needed crop diversity. A "peach" economy alone could not survive. It would suit neither the grower nor the processor. Although other land is available in the Niagara area for residential and industrial expansion, too often it is the fruit land below the escarpment that is being taken over. The Niagara district is as good a fruit-growing area as there is on the continent, but if present trends continue, fruit growing in this area will disappear by 1980. The general welfare is involved here, and only the public has the right, and only the government has the means, to avert this outcome.

Metropolitan Toronto offers a good example of long-range land-use planning. The Metropolitan Toronto plan of land use has three commendable purposes:

- (1) to prevent serious injury of agricultural activities by urban expansion,
- (2) to conserve soil and water capacity for the metropolitan watershed,
- (3) to assure the maximum recreational use of the rural land areas.

Of the 719 square miles in the Metropolitan Toronto planning area, 386 square miles are expected to remain in rural use up to 1980, but are intended ultimately for urban uses. Much of this "urban reserve" land in the meantime will remain in agriculture, but the preservation of farmland within the planning area has not a high priority because the soil is not very productive.

Land-use planning and assessment by large regions can designate the land to be used for business, residence, schools or parks, and farming. Metropolitan planning boards can be expected to extend their influence over larger and larger "hinterlands". Land-use planning by these boards can reduce the uncertainties associated with rapid urban growth. This would provide farmers in the hinterlands with more certain tenure of land, better conservation of soil and water, and better knowledge of market trends, thus enabling them to plan their operations on a more efficient basis. The Ontario Beef Producers' Association told us that there was a need for joint study and planning of live stock processing sites by local and provincial governments, farmers and processors.

Land-use planning of a particular tract of land means classifying the land into zones for which future use is restricted to specified purposes. Zoning is likely to cause capital gains or losses to farmers, depending on what uses of their land are permitted in the plan. To avoid unjust discrimination among farmers and other landowners, possible alternative ways of implementing zoning should be studied carefully.

Summary and Recommendations

An increasing number and proportion of Ontario people are living in large towns and cities. The incomes of urban people are likely to remain higher than the Ontario average, which means that more than 75 per cent of the purchasing power of Ontario people in 1980 may be wielded by people living in cities of over 40,000.

In Part A of Chapter 12 we are interested in the impact upon agricultural production and marketing in Ontario which expanding metropolitan markets are having, and are likely to have in the next few decades.

Metropolitan markets act as focal points for price-determining forces, and also dominate advertising, packaging, new product development, and other aspects of modern marketing. The shopping centre and supermarket, which have had so profound an impact on food marketing, were developed to service the integrated residential subdivisions of the modern metropolis. With the trend to urban living are associated numerous changes in the food habits of consumers.

Nearness to growing markets has become as important as soil fertility and climate in determining changes in location and type of farming.

Urban sprawl into rural areas has been accompanied by a demand for services which means much higher taxes for local farmers. The threat of such tax increases can force unsubdivided farmland into speculative idleness or short-sighted exploitation. Land-use planning by large metropolitan areas could provide hinterland farmers with more certain tenure of land, better conservation of soil and water, and better knowledge of market trends, thus enabling them to plan their operations on a more efficient basis.

1. We recommend that the Departments of Commerce and Development, Agriculture, Municipal Affairs, and Lands and Forests, along with any other appropriate branches of the Ontario government, be given every encouragement by Cabinet and Legislature to work closely together on a continuous basis in the field of integrated rural-urban resource-use planning.
2. We recommend that a thorough study be undertaken by appropriate technical personnel of (a) the effects of urban growth upon the health and productivity of Ontario people, (b) the direct and indirect costs of suburban services borne by farmers and others, and (c) resource-use planning on a provincial scale, including the equitable implementation of zoning.
3. Providing adequate control is retained by the legislature to safeguard local interests, we recommend that encouragement be given to regional

planning boards to extend planning over metropolitan areas and larger rural hinterlands. Generous amounts of land should be reserved for special crops and recreational use, and increased efforts should be made to prevent the pollution of lakes and rivers by industrial and residential wastes from communities of all sizes.

B. Agriculture In Northern Ontario

The Northern Ontario region (see map 2 on the next page) accounts for 87 per cent of the total area of Ontario but contains only 10 per cent of Ontario's population. The climate, topography, soil, mineral and forest resources in Northern Ontario are far from uniform. For this reason it is a great oversimplification to treat Northern Ontario as a unit. We feel that the first step to understanding the Northern Ontario economy is to realize its diversity. Nevertheless the whole area differs in one key respect from Southern Ontario and that is population density. It lacks the numerous large markets which, as we have seen, brighten the future of agriculture in Southern Ontario. The population in Northern Ontario is concentrated around mining, forestry, and transportation centres that are widely separated from each other and are usually not close to good farming land.

The oldest white settlement in Ontario (not just Northern Ontario) was Moose Factory at the southern end of James Bay, and dates back to 1671. Settlement did not spread until much later, however, and then it came from the south. After the fur trade days, development in Northern Ontario was closely associated with the area's geographic position. To join Eastern and Western Canada by rail, the great rocky Shield of Northern Ontario had to be bridged. In 1882 the Canadian Pacific Railway reached North Bay and continued west. Some settlers had preceded the steel, however, a few having established themselves in the Little Clay Belt around New Liskeard. These people wanted a railway too, and the Ontario government between 1902 and 1905 built the Temiskaming and Northern Ontario Railway to New Liskeard, and extended it to Cochrane in 1908. Between 1911 and 1914 the Grand Trunk Pacific (now Canadian National Railway) completed its Northern Ontario span, and in 1913 the National Transcontinental through Cochrane from Quebec City was finished. The Temiskaming and Northern Ontario Railway (now Ontario Northland Railway) in 1932 pushed north the remaining 180 miles to Moosonee - 4 miles and 260 years from the original Moose Factory trading post.

Service roads initially fanned out from railway centres, but highways now play a more fundamental role in Northern Ontario development. The first Trans-Canada highway route was opened in 1943 with the linking of Hearst and Geraldton. Primary and secondary roads in Northern Ontario now account for 45 per cent of the total road mileage in the province, which reflects the great mileages involved in marketing products in Northern Ontario. Transportation costs remain a dominant factor in the Northern Ontario economy.

When the first census was taken in Northern Ontario in 1871, there were 8,000 inhabitants. Twenty years later, after the first railway boom, the population numbered 55,000 and by 1901 it was 100,000. The next decade was the period of most rapid growth with the population reaching 238,000 in 1911. Since world War I, Northern Ontario's population has continued to grow as fast as the rest of Ontario, and now numbers 650,000 people.

There are about 13 million acres of clay soils, laid over glacial till and occasional strips of sand, extending in a huge arch north and east from Lake Nipigon. In North-western Ontario there are several smaller pockets of clay soils. The clay soils, except for the Rainy River area, were once covered by forests. The soils, except for those over sand, are not well drained and, except for Rainy River and New Liskeard, are not fertile. Most of the soils correspond to Southern Ontario soils that are fourth and fifth from the top in fertility.

1. The first part of the document is a list of names and addresses, which are arranged in two columns. The names are written in a cursive script, and the addresses are written in a more formal, printed style. The list includes names such as "John Smith", "Mary Jones", and "Robert Brown", along with their respective addresses.

2. The second part of the document is a list of names and addresses, which are arranged in two columns. The names are written in a cursive script, and the addresses are written in a more formal, printed style. The list includes names such as "John Smith", "Mary Jones", and "Robert Brown", along with their respective addresses.

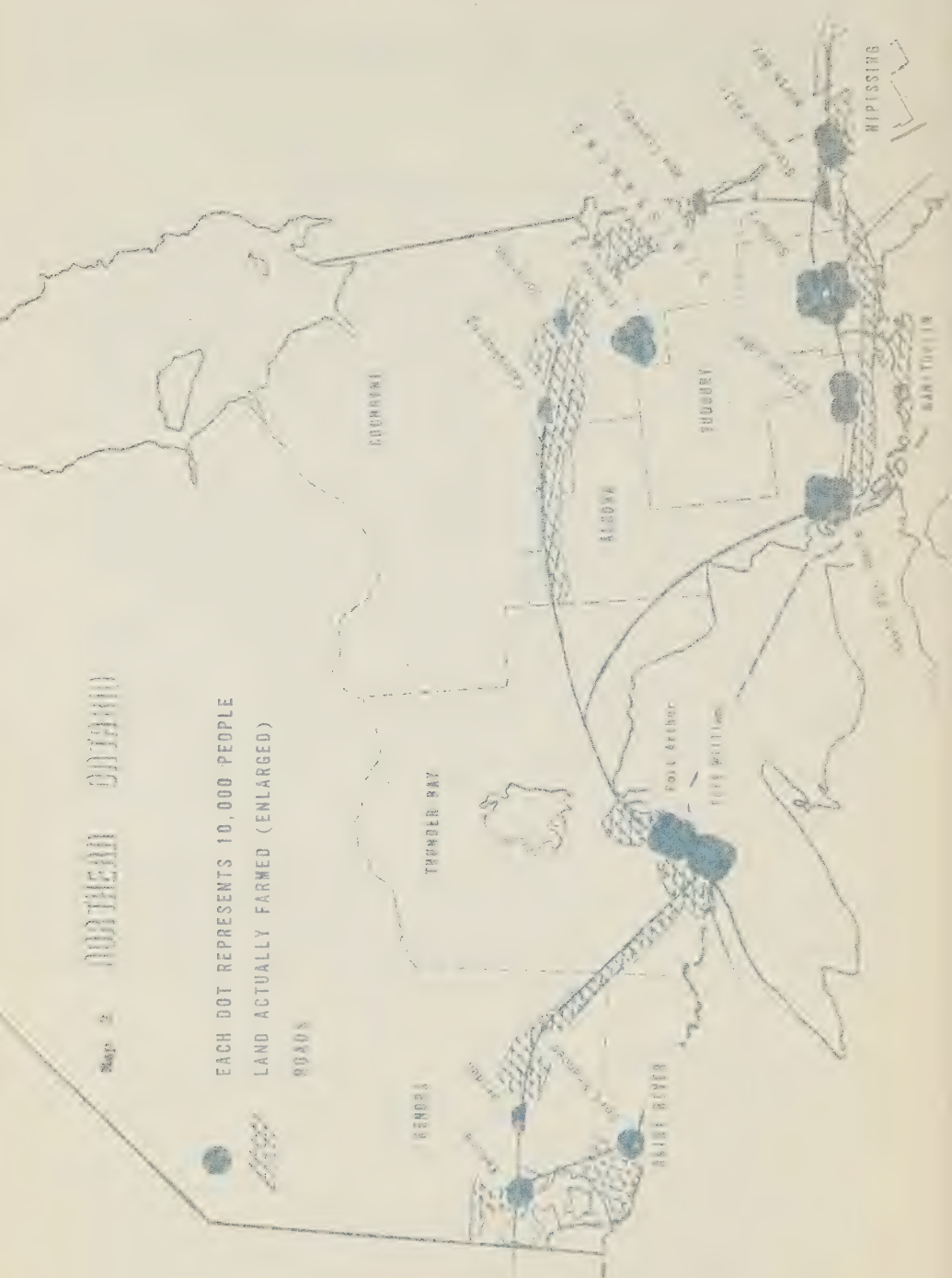
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EACH DOT REPRESENTS 10,000 PEOPLE
LAND ACTUALLY FARMED (ENLARGED)

2080



Short growing seasons and frost are hazards to farming in most regions of Northern Ontario. Furthermore, the climate, in general, is humid, aggravating drainage and harvesting problems. Only in the Rainy River and Kenora-Dryden areas is humidity as low as in Southern Ontario. The climate of the rest of Northern Ontario is more suited to pasture and forage production or to forestry than to cereal crops.

Bringing land into cultivation in Northern Ontario is expensive. Even now, with large brushbreakers, land clearing and breaking costs appear to be at least \$50 per acre. (Average clearing with horses required over 200 manhours as well as 130 horse hours per acre.) And then there are serious drainage, soil fertility and weed problems still to be solved.

The local markets for agricultural products are scattered. There is no dominant city there - no metropolis - to service Northern Ontario, and so it is serviced from "outside". North-eastern Ontario is oriented toward Toronto and Montreal; North-western Ontario looks to Winnipeg, and the middle looks to Sault Ste. Marie and the United States.

Very little processing of food is done in Northern Ontario. Consequently, residents must pay transportation costs on their raw products shipped out and transportation costs on their processed foods, fertilizer, and machinery shipped in. Seven of the 12 briefs presented to the Enquiry Committee at our Northern Ontario hearings complained of high transportation costs. These high costs are symptoms of the remote and scattered communities and the absence of a service metropolis in the north.

Road and rail construction costs are higher in the north. Another cause of high transportation costs is the difficulty of balancing the kinds and amounts of in and out traffic. Small freight volumes in many items scarcely make it worth the railways' while to negotiate agreed charges. Potato growers have made little use of the province's freight assistance policy on seed potatoes. The freight rate on table potatoes from Cochrane to Toronto is 98 cents per 100 lbs., while from the Maritimes to Toronto an agreed charge of 66 cents prevails.

It has been estimated that up to half of the potato requirements of North-eastern Ontario are obtained from outside. This seems odd in view of the fact that Northern Ontario soils and climate are nearly ideal for potato growing. Perhaps up-to-date skills are lacking, but it seems more likely that potato growing finds it difficult to compete with the off-farm opportunities in mining and forestry.

To make matters worse for Northern Ontario farmers (except dairymen), they find it very difficult to break into northern markets. This point was emphasized in a submission to us by the Val Gagne Farmers' Co-operative, which reported that 90 per cent of the eggs consumed locally are imported. Temiskaming Producers stated that their produce "must be moved to Toronto". Increasingly, consumers in the north are buying mass-processed and pre-packaged foods, and local farmers find themselves increasingly out of step with new market conditions. Only a few farmers have achieved some market security by processing their own milk, slaughtering their own fat stock, or supplying top quality vegetables. An increasing flow of tourists infiltrate Northern Ontario in July and August, but the economic significance of the expanding tourist trade for the local farmer has been exaggerated.

With about 10 per cent of Ontario's farm population in Northern Ontario and only 3.7 per cent of farm revenues, we conclude either that farm living levels there are lower or that there is more off-farm work. There are numerous so-called farms that are really only rural residences. Forest and mining industries provide attractive off-farm job opportunities for farmers, but this also means that hired farm help is very hard to get.

With the benefit of hindsight, we can easily see that the economic suitability

of Northern Ontario for farming has been sadly over-estimated. At one time or another over the past 75 years, governments and railways have encouraged settlers by offering them advice, cheap land, credit and subsidies on transportation, drainage, clearing and breaking land, plus the establishment of demonstration and experimental farms.

In spite of these settlement efforts and of continuing extension work, Northern Ontario farmers have a pronounced feeling of isolation, even of neglect. It is hardly an exaggeration to say that they look upon Southern Ontario as a foreign land.

Prior to opening Northern Ontario lands for settlement, there was no serious research into farming possibilities and problems. Submissions to the Enquiry Committee from Kenora, Rainy River, Manitoulin Island, Cochrane, and Porcupine all complained of the lack of a systematic soil survey. The Submission from Farmers' Union, Local 220, Porcupine Camp, and from the various organizations at Cochrane requested a land-use plan.

In the absence of land-use studies in the past, it was not realized that natural forestry use is the most advantageous over much of Northern Ontario. In the Cochrane area, for example, the trees were cut off the 75-acre "farm" lots to pay for live stock, machinery and food and to achieve clearings large enough to meet patent requirements. But when the trees were gone, the more aggressive and adjustable "farmers" moved on because 75 acres were insufficient for a grain or live stock enterprise, and were hopelessly inadequate for a tree farm.

Agriculture in Northern Ontario is in a process of adjustment from relatively unattractive on-farm opportunities to relatively attractive off-farm opportunities. The costly changes which people are making - the abandoned farm fields, skills and homes - should provide food for thought about the policies which led to this waste and suffering.

A sterling exception to the lack of land-use planning in Northern Ontario is the recent Glackmeyer Report. This was a joint project of the provincial Departments of Lands and Forests, and Agriculture. The Glackmeyer area is just north of Cochrane. Great care was taken by the planning committee, and they are to be commended for this pioneering effort. Their objectives and recommendations regarding general policy and institutional changes seem to us to be sound, but we take issue with their land-use proposals. They started from an assumption that there would be a need for tripling agricultural output in the Glackmeyer district in the next 20 years. This is much too optimistic. Agriculture in the Glackmeyer district has not been expanding in the past 20 years, and in recent years depressed conditions prevailed. The Glackmeyer Report based its land-use classification on soil quality without sufficient regard to market potential or to the relative profitability of agriculture and forestry. It is far too simple to suppose that soil which is good enough for farming should be in farming. The Glackmeyer Report suggests that an adequate farm unit would be about 300 acres. This is a big step in the right direction of extensive farming, but we believe that it does not go far enough under the economic circumstances and trends prevailing in that area.

As we see it, there are two or three directions that farming in Northern Ontario may take. There may be an increased output of a few specialized products for local markets - perhaps fluid milk, potatoes and some vegetables. There is a danger, however, that even the advantage which local fluid milk producers have enjoyed in Northern Ontario will cease with the introduction of cheaper milk substitutes, except for a few very efficient dairymen. Another possibility is that a suitable specialty may be found for "export" out of Northern Ontario. Some people think that the raising of feeder steers is the answer here, but it remains to be seen whether Northern Ontario can compete with the Prairies in efficient production of feeder cattle. Cattle feeders in Southern Ontario should co-operate in thoroughly investigating this possibility. Expanding the production of forage seeds and seed potatoes might also be feasible.

A third possibility is that agricultural production in Northern Ontario will decline because of high transportation costs on raw products shipped out for processing and on processed products shipped in.

Adjustments that are likely to continue are: off-farm migration, land clearing for fewer and larger farms, better management, specialized production for local markets, community drainage and weed control, and more emphasis on forestry. About one-quarter of the pulpwood from Northern Ontario is supplied by farmers. Farmers supplying pulpwood seem to need a marketing board to protect their interests by bargaining collectively with the few large pulp and paper companies.

Government (federal, provincial and local) is morally committed to assist Northern Ontario agriculture in the adjustment process. The Manitoulin and Porcupine farmers asked for agricultural economic research, particularly farm management. Adjustment is a continuing social, as well as economic, process. Community planning to co-ordinate adjustment efforts along Rural Development lines is needed. (Chapter 14).

In formulating policy recommendations, we feel that the first, and most important, decision to make is whether existing agriculture should be encouraged or discouraged in Northern Ontario.

Summary and Recommendations

The first step to understanding the Northern Ontario economy is to realize its diversity.

In general, Northern Ontario soils are neither well-drained nor fertile. Growing seasons are short and the climate in general is humid. Transportation costs remain a dominant factor. Northern Ontario lacks the numerous large and expanding markets which brighten the future of agriculture in Southern Ontario. Very little processing of food is done in Northern Ontario. Increasingly, consumers in the North are buying mass-processed and pre-packaged foods, and local farmers find themselves out of step with new market conditions.

The economic suitability of Northern Ontario for farming has been sadly over-estimated. Natural forestry use of the land is the most advantageous over much of the region. Agriculture in Northern Ontario is in a continuing process of adjustment from relatively unattractive on-farm opportunities to relatively attractive off-farm opportunities. Government at all three levels is morally committed to assist in this adjustment process.

1. In formulating policy recommendations, we feel that the first, and most important decision to make is whether existing agriculture should be encouraged or discouraged in Northern Ontario. We recommend that encouragement be given only to those farmers, in those localities, and in those products, for which the future is likely to provide a decent level of living - otherwise farming should be discouraged.
2. There is a great need for knowledge about the localities in Northern Ontario where agricultural prospects are favourable and where they are unfavourable. It is too simple to suppose that soil which is good enough for farming should be in farming. We recommend that a combined soil-and-market study be made to provide a basis for a long-range plan for the profitable use of land, water, forest, fish and game, and human resources.
3. We recommend that legislation affecting Northern Ontario agriculture be consolidated and up-dated within a forward-looking, resource-adjustment framework.
4. We are recommending a Rural Development approach to the adjustment of Northern Ontario agriculture. (Chapter 14). This will require close partner-

ship between the federal government and several Ontario departments. The Northern Ontario extension man should be a "resource representative" or socio-economic adjuster. (Chapters 11 and 13). A regional director of resource representatives should be located in Northern Ontario, and he should report to an inter-governmental, inter-departmental committee. Because of the great distances, government personnel should be provided with air transportation where feasible.

5. The Extension Branch now combines applied research with extension in Northern Ontario by assisting certain co-operating farmers to reorganize and try new practices. We recommend that this program be continued, but on a more formal basis with accurate records being kept and published annually.
6. Most Northern Ontario farmers are intimidated by the thought of travelling to Southern Ontario or farther to buy live stock. We recommend that suitable personnel of the Department of Agriculture be empowered to act as live stock buying agents when requested.
7. We recommend that the Demonstration Farm at New Liskeard function as a North-eastern Ontario regional centre for experimental work on farm products and practices, as a distributing centre for breeding live stock, and as a base for farm management extension.
8. Manitoulin farmers requested that elevator facilities be built at Little Current. We recommend, instead, that the government encourage co-operative or private enterprise to unload annually a winter storage cargo (in an Upper Lakes vessel) of feed grain in Little Current.
9. Quality potatoes can be produced in certain parts of Northern Ontario. We recommend that ways be studied of encouraging the production of potatoes in these localities and of modernizing the storage and distribution of potatoes in nearby northern markets.
10. We recommend that the government study the feasibility of establishing provincial pastures, and subsidies for good beef bulls, in certain areas of Northern Ontario such as the Little Clay Belt and Rainy River.
11. The practical pattern of farming operation in many parts of Northern Ontario is part-time, small-scale farming along with winter work in the woods. It is time to recognize this in policy. Recognition might take the form of making available farm-forest units of about 600 acres, part of which would be cultivated, but the major part would be forest-farmed. We recommend the establishment of a standing committee of officials of the Ontario Departments of Agriculture and Lands and Forests to study how to establish large leasehold or freehold units for combined farm-forestry operations.
12. We recommend that pulpwood marketing in Northern Ontario be studied jointly by the Departments of Agriculture and Lands and Forests to see whether farmer producers need a pulpwood marketing board.
13. Seasonal off-farm work by farmers in Northern Ontario is frequently necessary to earn a living. We recommend that the Ontario government make representations to the federal government that such off-farm work should not automatically disqualify an applicant for farm credit.
14. A transportation subsidy might be helpful, but a blanket subsidy on all farm products would just make it easier for farm products from outside to sell in Northern Ontario markets. A subsidy on fertilizer, however, would help both in increasing yields and reducing the autumn frost hazard. A transport subsidy on feeder cattle and table potatoes might also be appropriate. We recommend that for a limited adjustment period specific transportation subsidies such as these be given consideration.

15. We received several requests in Northern Ontario for more agricultural education. Agricultural short courses throughout the north, or a scholarship program, were suggested by producers at Temiskaming, Rainy River, Manitoulin, Nipissing and Sudbury. We recommend that a mobile adult education program for northern farmers be set up, and that it be carried in close liaison with the rural development adjustment program in recommendation 4.

CHAPTER 13 - DEPARTMENTAL ORGANIZATION

AND THE AGRICULTURAL ADJUSTMENT ACT

In following our terms of reference, the Committee felt that it could not adequately consider the problems of Ontario agriculture without examining the organization of the Department of Agriculture. Also, during the course of our Enquiry, we were asked by the Minister of Agriculture to consider Departmental organization. We have done so from the viewpoint of recommending a Departmental structure favourable for implementing the philosophy and key recommendations contained in our Report. We confine our remarks on this subject to broad principles, with which alone we feel competent to deal. The details of reorganization would have to be worked out by various experienced Departmental personnel.

The basis for judging what would be an appropriate Departmental organization depends in the final analysis upon what the purpose and functions of the Department should be in the near future, and what structural changes are taking place in Ontario agriculture. We have kept in mind the four fundamental principles which the Gordon Committee on Government Organization in Ontario felt should apply to any government organization: ministerial responsibility, financial accountability, grouping of related functions, and provision for appeal.

According to the Directory and Guide to Services of the Ontario Government, the Department of Agriculture has three responsibilities:

- (1) to promote the prosperity and welfare of farm people,
- (2) to serve agricultural interests,
- (3) to develop and improve Ontario agriculture through science and an appreciation of the needs of Canada and the world for food.

We agree with these objectives. To reach these objectives, however, the organization and emphasis of the Department will have to keep adjusting to the needs of a rapidly changing agricultural industry. It is the Department's responsibility to help agriculture adjust to changing economic conditions. The trend of adjustment at the farm level is toward fewer, larger, more expensively mechanized, and better managed family farms. We have pointed out that agricultural production and marketing decisions have become inseparable, and that "agriculture" is a much broader term than "farming". The Department has responsibility for serving not only farming as such but also the businesses which provide farm supplies and market farm products. Extension in marketing would be a proper service to provide. In other words, responsibility 2 above includes, but extends beyond responsibility 1.

Responsibility 3, again, is much broader than responsibility 2 - it concerns the responsibility of Ontario agriculture and the Department for producing good food for people in general. For this reason and because of the glaring need for vertical accommodation throughout Ontario agriculture to trends in consumer demand, we firmly believe that the name of the Department of Agriculture should be changed to the "Department of Food and Agriculture".

Changing the Department's name to the Department of Food and Agriculture should be a leading clause of the Agricultural (Production and Marketing) Adjustment Act, which we are recommending as the legal and philosophical embodiment of our key recommendations. The Ministry of Food and Agriculture would bear the final responsibility to the Legislature for administering the Agricultural (Production and Marketing) Adjustment Act. Within the framework of this Adjustment Act, barriers and impediments to the continuous and more rapid adjustment of Ontario agricultural production and marketing to the trends of the market would be removed.

With respect to marketing, the Adjustment Act would enable the delegation (1) of specific limited powers to vertical commodity marketing associations, as listed in Chapter 9, (2) of general co-ordinating powers to the Agricultural Industry Board, as listed in Chapter 9, and (3) of specific and more limited powers to the Farm Products Marketing Board, including responsibility for the powers which it in turn delegates to local producer boards, and covering all farm products including milk, as listed in Chapter 9.

With respect to production, the Adjustment Act would provide for (1) increased adjustment-oriented research in farm management, farm management extension, and farm credit, as suggested in Chapter 11, and would provide (2) the framework for Ontario's participation in a federal-provincial-municipal program of Rural Development, as outlined in Chapters 12B and 14.

With respect to achieving a Departmental organization appropriate to promoting all of the foregoing production and marketing policies, the Adjustment Act should make provision for changes in the Department along the lines set forth in the present chapter.

There are five main interdependent aspects to Departmental activity: administration of agricultural legislation, advising the government on policy, and carrying out research, education, and extension.

Our findings throughout the Report frequently have direct or indirect significance for Departmental organization. In Chapter 9, we discussed the proper role of the Ontario government in marketing. A more specific example would be better-integrated, more uniform and fuller reporting of sales and prices in the various farm product markets in Ontario called for in Chapter 8. Another example would be the duties of the new Co-operatives Branch recommended in Chapter 9. Consideration of proper responsibilities of the Department makes it clear that minor adjustments of the present Departmental set-up will not be good enough.

Policy and administration (including regulation and inspection) should remain with the Department in Toronto. There should be more stringent inspection and policing of product quality and grades at all levels in the marketing chain, in co-ordination with federal work in this area. A new branch may be needed at Toronto to administer Ontario's Rural Development program with respect to inter-departmental and inter-governmental co-operation in rural industrial development and land use. An agricultural statistics and economic policy research branch is needed in Toronto, and it should be attached to the Deputy-Minister's office. This is where it could best serve the Minister, by undertaking policy research relating to both production and marketing. Properly understood, policy research is not a contradiction in terms. The present Farm Economics and Statistics Branch could fulfil this role by re-defining its objectives and locating it as indicated.

The present basic division of the Department at Toronto into production and marketing with separate Assistant Deputies should be regarded as a temporary administrative convenience. Our Report stresses that closer co-ordination of production and marketing to market needs is vital to the future welfare of the agricultural industry in Ontario, rather than separateness of thinking and action. Therefore it would be best for the Deputy-Minister to have a single Associate Deputy, second in authority only to the Deputy Minister and directly responsible for co-ordinating work at all levels within the Department.

Some costly Departmental programs should be re-appraised in the light of foregone needs and opportunities. Fairs, exhibitions, ploughing matches, and grants should be examined to see if they are still worthwhile in the light of changed circumstances.

Research, education and extension are overlapping matters of the mind, each of which draws vitality and meaning from the other; all three are inseparably linked. In order that research, education and extension maintain the close contact

that is desirable, and with the utmost freedom, they should all be directed from Guelph where they would form integral parts of a new university federation of agricultural colleges, institutes and departments. This move would greatly enhance agricultural flavour and prestige at the new university. The addition of faculties of arts and general engineering could have a stimulating effect all around. The new university would have degree-granting powers, including the Ph.D.

Administration of the federated agricultural university of Ontario should be the responsibility of a Board of Governors appointed for renewable, overlapping five-year terms by the Lieutenant-Governor in Council - upon recommendation by the Minister of Agriculture in order to maintain the agricultural orientation of the University. Financial support for the university should come through separate Department of Agriculture votes for research, education and extension. The President should have an administrative assistant with controller responsibility. Education at each of the federated colleges (Ontario Agricultural College, Ontario Veterinary College, and Macdonald Institute) should be headed by deans.

All extension, including the demonstration farms at New Liskeard and Strathclair and The Dairy Herd Improvement Association, should be under a director or dean of extension at Guelph, responsible to the President. Units of extension should be based whenever possible on type-of-farming areas and not necessarily on county lines. As pointed out in Chapter 11, future agricultural representative recruits should be farm management generalists (adjustment advisors) backed by a group of various specialists appropriate to each type-of-farming area. These agricultural representatives would need business training. Extension advice for the larger farms and contracting farmers will increasingly come from the contracting businesses and from colleges directly. In marginal farming areas, the emphasis of extension would be placed on rural development and resource use. Agricultural representatives in these areas would need extra socio-economic training. A flexible rotation plan is needed for agricultural representatives.

All provincial agricultural research, except by the agricultural statistics and economic policy branch at Toronto, should be under a research director or dean, who would be head of a new Agricultural Research Institute. He would maintain liaison with related research in the agricultural statistics and economic policy research branch in Toronto and related research in other Ontario and federal government Departments. There would be a Research Advisory Committee, but the Director, like the other deans, would report to the President. Some professors would hold dual teaching and research appointments, and the Institute would have a strong nucleus of full-time research staff.

Production research should not be reduced because it is crucial to improving Ontario agriculture's regional competitiveness. Marketing research would be greatly expanded by the Research Institute, and placed on a continuing basis. A much surer grasp of trends, practices and problems in marketing, beyond the point of first sale and right through to retailing and consumption, is urgently needed in Ontario agriculture. Production needs to be much more closely integrated with market trends. The Institute should conduct studies on consumption, merchandising and promotion, new product development, quality improvement and control, etc. A close working relationship should be maintained between the Research Institute and the new Markets Promotion Branch in Toronto. Agricultural supply, production and marketing firms should be drawn into this research work whenever possible (as advisors or co-operating participants).

The Ridgeway and Kemptville Schools of Agriculture and the Horticultural Experiment Station at Vineland should be responsible to the dean of the Ontario Agricultural College.

Summary of Recommendations Contained in Chapter 13

The nature of Chapter 13 is such that most of it is recommendation; the following brief summary therefore covers only the main recommendations.

We have considered Department organization from the viewpoint of recommending a Departmental structure favourable for implementing the philosophy and key recommendations contained in our Report.

The Ontario Department of Agriculture has three responsibilities: to promote the welfare and prosperity of farm people; to serve agricultural interests; and to develop and improve Ontario agriculture through science and an appreciation of the needs of Canada and the world for food.

The trend is to fewer and larger family farms. Production and marketing decisions are inseparable. "Agriculture" includes businesses marketing farm products and supplying goods and services to farmers as well as farming itself. There is a glaring need for vertical accommodation throughout Ontario agriculture to trends in demand.

Within the context of Chapter 13 and of the Report as a whole, our study of the proper responsibilities of the Ontario Department of Agriculture makes it clear that minor adjustments of the present set-up will not be good enough. we recommend that the Government of Ontario prepare and enact an Agricultural (Production and Marketing) Adjustment Act, along the lines recommended in Chapters 9 and 13 and the leading features of which should be:

- (a) Changing the name of the Department of Agriculture to the "Department of Food and Agriculture",
- (b) Delegating specific limited powers to vertical commodity marketing associations as listed in Chapter 9.
- (c) Delegating general co-ordinating powers to the Agricultural Industry Board as listed in Chapter 9.
- (d) Delegating specific and more limited powers to the Farm Products Marketing Board, including responsibility for the powers which it in turn delegates to local producer boards, and covering all farm products including milk, as listed in Chapter 9.
- (e) Provide for increased adjustment-oriented research in farm management, farm management extension, and farm credit, as urged in Chapter 11.
- (f) Provide the framework for Ontario's participation in a federal-provincial-municipal program of Rural Development, as recommended in Chapter 14.
- (g) Provide for changes in the organization of the Department along the broad lines set forth in Chapter 13, including mainly -
 - (i) federating the colleges and institutes at Guelph into a university supported through the Department of Agriculture and administered by a board of governors appointed by the Minister of Agriculture,
 - (ii) retaining Departmental policy and administration, regulation and inspection at Toronto, but
 - (iii) directing research, education and extension from Guelph,
 - (iv) establishing an Agricultural Research Institute at Guelph,
 - (v) greatly expanding agricultural marketing research without reducing production research,

- (vi) having agricultural representatives function as farm management adjustment advisors for commercial farms and as Rural Development adjustors, for submarginal farms.

CHAPTER 14 - OTHER IMPORTANT MATTERS

A. Interprovincial and International Aspects

During our investigation of the agricultural industry in Ontario, we have often been confronted with matters having important interprovincial or international aspects. In Chapter 1, for example, we stressed how necessary it was for the prosperity of Ontario agriculture that full employment and an expanding economy be maintained. In Chapter 7, we saw that the regional competitiveness of Ontario agriculture would benefit from quality improvement and the uniform enforcement of stricter grading. In Chapter 8, we referred to federal price supports. In Chapter 9, mention was made of the international operations of Hardee Farms. In Chapter 10, we discussed national transportation policy, and the impact of freight rate changes and federal feed grain subsidies on Ontario agriculture. In Chapter 11, we saw that supply control had interprovincial and international implications. In Chapter 8 and a later section of the present chapter, we show how provincial fluid milk pricing arrangements and incentive federal price supports have led to increasing federal support of milk by-products such as butter and milk powder. In section B of the present chapter, we discuss Ontario's participation in a federal Rural Development program. In section A, we deal briefly with the problem of increasing interprovincial and international competition for Ontario farm products.

(a) Ontario's Deficit Position in Food

Ontario is seldom thought of as an agricultural province, and yet its value of farm products has been higher than that of any other province in recent years. Ontario's farm products accounted for 31.1 per cent of Canada's cash farm income in 1959, and the preliminary estimate for 1960 was slightly higher than this. Ontario's share during the recent four-year period 1956-59 was 30.6 per cent, compared with 28.1 per cent during the period 1950-53.

Table 11 shows Ontario's share of Canada's cash farm income by several individual products or groups of products during the two periods 1950-53 and 1956-59. With the main exceptions of potatoes and flaxseed Ontario's share of cash farm income from the crops group increased substantially during the last decade. Ontario's share of cash farm income from the live stock and live-stock products group declined, however, especially for hogs and poultry meat. Ontario's increasing share of Canada's sales of crops and declining share of live stock are both symptoms of a shift in the Prairie Provinces in recent years toward selling unmarketable grain in the form of live stock. If overseas sales of western wheat were to recover, Ontario's share of Canada's cash farm income would lose some ground, especially for crops. The switch from cash grain to live stock production in the West is probably partly irreversible, however. This appears ominous to us in view both of the predominance of live stock farming within Ontario agriculture and of the increasing importance of meat in the diet.

Table 11 showing Ontario's shares of Canada's cash farm income from particular products cannot be used for indicating Ontario's deficit or surplus position (that is, whether Ontario consumes more than it produces or produces more than it consumes) in these products mainly because of interprovincial differences in prices of the products and in consumption per person. In certain products other statistical impediments are involved.

Unfortunately, statistics on movements into and out of Ontario from other provinces and countries are not collected systematically, and so it is impossible to give an accurate and detailed account of the province's deficit and surplus products. Volume 3 of the Report of the Royal Commission on Price Spreads of Food Products shows that between 1947 and 1957 there was a sixfold increase in net rail movements of animal products into Ontario and a 40 per cent increase in other agricultural products.

Our estimates indicate that Ontario consumes more than it produces of red meats (beef, pork, lamb and mutton), but produces more than it consumes of

TABLE 11 - ONTARIO CASH FARM INCOME EXPRESSED AS PER CENT OF CANADA'S
BY SELECTED PRODUCTS AND GROUPS, FOR PERIODS 1950-53 AND 1956-59

Product or Group	1950-53 -Per Cent	1956-59 Per Cent
Wheat	3.2	2.5
Oats	6.5	10.6
Barley	1.4	0.7
Rye	2.1	3.9
Flaxseed	9.0	0.7
Potatoes	30.1	25.2
Fruits	42.1	45.4
Vegetables	60.6	61.1
Tobacco	95.8	95.7
Other Crops	43.9	47.7
TOTAL Crops	15.7	20.3
Cattle and Calves	37.8	36.8
Hogs	41.0	37.5
Sheep and Lambs	28.3	28.9
Dairy	34.6	35.2
Poultry	47.5	42.2
Eggs	45.5	45.6
Other Live Stock	22.5	22.2
TOTAL Live Stock	38.7	37.4
Forest and Maple	14.1	14.8
TOTAL	28.1	30.6

Source: Dominion Bureau of Statistics, Cash Income From Sale of Farm Products,
Ottawa, annual.

poultry meat and eggs. Ontario appears to be self-sufficient in fluid milk, but consumes more than it produces of butter, and produces more than it consumes of cheese, and evaporated, concentrated and powdered milk. Ontario consumes more fruit as a group than it produces, although it is a surplus producer of certain individual fruits such as peaches. Ontario consumes more potatoes than it produces, and produces more tomatoes than it consumes. Ontario appears to be self-sufficient in vegetables as a group. Ontario produces much more tobacco than it consumes, and, of course, consumes much more sugar than it produces.

(b) Interprovincial Co-ordination of Marketing

Interprovincial competition for Ontario producers is keen in certain products. There is concern, for example, for potatoes from the Maritimes, fruit, vegetables and cheese from Quebec, fruit and vegetables from the United States and British Columbia, and butter and live stock products from Western Canada. Recently competition from western meats and live stock has sharpened as farming in the Prairie Provinces has become more diversified. Quebec's farm credit and fertilizer subsidies give Ontario farmers cause for concern over what this may do to Ontario's regional competitiveness. Of special concern are products under marketing boards and co-operatives in Ontario in which substantial inter-provincial movement takes place. The efforts of these agencies to stabilize and raise prices are thereby undermined. Increasing competition in Ontario's large and expanding markets naturally gives rise to pressures from Ontario producers to restrict and regulate the marketings of important troublesome imports.

The scope for formal interprovincial regulation of marketing is governed by constitutional jurisdiction. The constitution of Canada provides for concurrent federal and provincial jurisdiction over agriculture, with overriding federal authority in the event of conflict. In practice, however, jurisdiction over agriculture has been exercised mainly by the provinces, except for international, and to a less extent interprovincial, marketing. The federal devices used for

influencing international and interprovincial marketings of interest to Ontario farmers have been: grading and inspection; tariffs; cold storage, hog quality and feed freight subsidies; and price supports. Otherwise, federal action in agriculture has been restricted largely to farm credit and basic research. The only attempt to regulate domestic marketing at the national level was made 25 years ago, and it was soon declared unconstitutional. This constitutional problem is still probably a major obstacle to the establishment of national marketing boards.

Ontario then moved into the marketing board field in a big way, as explained in Chapter 9. Subsequently, the federal Agricultural Marketing Act of 1949 was intended to enable provincial marketing boards to control the movement of their products interprovincially and internationally. It also permits interprovincial co-ordination among marketing boards, but provincial marketing boards have not made much use of this feature. The great variety of marketing boards across Canada with widely varying powers and interests is not conducive to interprovincial co-ordination. As far as interprovincial co-operatives are concerned, federal support has been passively permissive.

Ontario and Quebec officials have been meeting to try to co-ordinate pricing and conditions of sale of milk in the two provinces. Some fluid milk moves both ways, Quebec is a competitor in the production of butter and concentrated milk products, and Quebec cheese enters Ontario in increasing amounts. Quebec's milk production is highly variable seasonally. The effectiveness of Ontario dairy product marketing boards in stabilizing and raising prices is undermined. The two-price export system of the Ontario Cheese Marketing Board holds an umbrella over Quebec cheese prices. There also seems to be a need for the interprovincial co-ordination of apple movements, and it is conceivable that Ontario and Quebec might be able to reach certain agreements.

This kind of interprovincial co-operation can probably be more effective when done to meet limited or specific mutual needs than on a formal national marketing board basis. Although there probably are not more than one or two farm products for which there is not some interprovincial competition, there are few products for which all provinces need to jointly participate in co-ordinating interprovincial movements.

A network of national marketing boards is frequently proposed as the next step in agricultural marketing to raise farm prices and incomes. Apart from the probably unconstitutional aspect of national marketing boards for regulating domestic trade, this proposal needs more careful examination than it has received so far by Ontario producers. The advocates of national marketing boards have never spelled out just how these boards would operate. This is too important to become just another trial and error program.

It is possible to speculate as to the probable features of national marketing boards. Their main purpose, as stated, would be to raise producer prices. National marketing boards would operate within a federal framework with respect to federal government policy. Basic elements of this policy are inter-regional equalization and balanced inter-regional growth. Interprovincial equalization might be justified for industries in which Ontario derives large revenues from the sale of manufactured goods in other provinces, but this argument would apply in reverse to farm products for which Ontario is mainly in a deficit position.

National marketing boards could be expected to seek by various administrative devices, regulations, and quotas, the orderly interprovincial movement of farm products, but in practice this would usually mean movement of products from outside Ontario into Ontario markets. Since we believe that South-western Ontario agriculture is uniquely favoured in Canada by warm climate, productive soil and large, expanding markets, we are bound to conclude that Ontario farmers have much more to lose in sales than to gain from higher prices as a result of the operations of national marketing boards.

We believe that national marketing boards along with stabilization funds

might be effective on a limited number of farm products, such as dairy products, the imports of which are greatly restricted. We also concede that there might sometimes be advantages from quality control and from sales promotion on a national scale. We are not advocating that Ontario support the regulation of agricultural production and marketing by a network of national marketing boards, however, because of the difficulties in allocating fair quotas to Ontario producers. We see no compelling reason why greater co-ordination between our existing marketing boards or our proposed vertical commodity marketing associations and the counterpart agencies of another province cannot be achieved on a specific and less formal basis, when and where needed - for example, milk or apple marketing in Quebec and Ontario. We feel that it is less urgent for Ontario producers to widen their horizontal linkage by commodities to a national scale than for existing commodity groups in Ontario to integrate more closely vertically with other links of their marketing chains. We think of the latter as "following through" with a farm product, instead of walking away from it, as has been the unfortunate tradition with farmers.

As we see it, production quotas would likely become a major instrument of national marketing boards in seeking higher prices. As we pointed out in Chapter 11, supply control could raise farm incomes in Ontario only if it included most products and most farmers in Canada, and if imports were restricted. Ontario quotas could work only on one or two products produced almost exclusively in the province. National marketing boards and comprehensive supply controls would in practice soon become mutually necessary. A network of national marketing boards would not operate for long with incentive prices and unrestricted production at home, and dumping of ever-increasing surpluses abroad. Supply control and national marketing boards are programs that would converge in practice, if they did not start off hand-in-glove.

Since it is unlikely that parliament would delegate production control powers to producers, the control agency (national marketing board) would be mainly governmental to safeguard the public interest. Under federal production quotas, Ontario would have quotas along with the regions of the country which produce surpluses. Moreover, it is predictable from interprovincial fiscal history that Ontario would bear a proportionately heavier share of the burden.

(c) Export Trade Prospects

Higher prices due to supply control would lead to more imports or import controls, and could seriously discourage exports, unless two-price systems charging a lower price for exports than at home were applied. As far as Ontario agriculture is concerned, two-price systems could succeed to a limited extent in stabilizing and raising the prices of products produced almost exclusively in Ontario. Two-price systems tend to work better the more inelastic is the domestic demand. Varying application of two-price selling has been made by the cheese, white bean, winter wheat and concentrated milk marketing boards in Ontario. Along with its price support operations, the federal government has made occasional use of two-price selling for eggs, dry skim milk, butter, and poultry meat.

To avoid disappointment, producers should not expect too much from two-price operations. In theory, two-price operations can result in maximum revenue from a certain amount of a product, but this does not necessarily mean profit to producers - it may only mean minimizing losses. The question arises as to whether two-price operations are valid as a regular policy or whether they should be confined to alleviating unexpected and temporary surplus situations. If two-pricing were to be pursued as a regular policy of maximizing revenue from a product, both the prices and quantities sold domestically and abroad would have to fluctuate unless demand at home and abroad remained steady, which is unlikely, and unless production were carefully planned and controlled.

Nor is stable marketing versus maximum revenue the only dilemma involved in two-pricing. Worthwhile markets abroad cannot be established on a distress or dumping basis, and there is no certainty that Canadian consumers would be willing

indefinitely to pay a higher price. The general public might feel that the resources being used to produce for export at a lower price might better be employed otherwise to raise and enrich the domestic level of living.

It has been suggested that national marketing boards could operate on a two-price basis without quotas. A substantial increase in revenue from a two-price operation, would draw forth increasing production and add more and more to the amount to be disposed of abroad at lower prices. When the export share becomes substantial, the gain from a two-price operation becomes small. In other words, quotas would likely become necessary under continuous two-price operations.

A two-price policy for most or all major commodities might not be tolerated at home by our consumers or abroad by our trading rivals and fellow members of free-trade and anti-dumping agreements such as G.A.T.T. (General Agreement on Tariffs and Trade). Two-price operations without quotas might conceivably be undertaken and financed by national producer marketing boards, but the federal government would have to retain at least co-ordinating control over them in the national interest. (Constitutionally, the responsibility in Canada for international trade lies with the federal government.) It is not difficult to imagine what confusion and strained diplomatic relations would result from two-price systems being operated separately by the producer groups of all, or even several, major products.

There seems to be some lack of realism among producer groups when it comes to export potentials. Producer groups alone are usually not in a position at the present time to push exports by special means because they usually have raw products for sale whereas international markets usually handle semi-processed or processed products. This may be why the "Clark Plan" for exporting processed food is receiving considerable attention. In this plan, processors and the suppliers of the raw product and of processing supplies would share in producing for export at a lower price. Apparently the federal government would also participate in the proposed processed food export board by assuming responsibility for sales promotion. The food exports would have a "Canada" mark but would usually have importers' brands. The Clark Plan illustrates why we said in section (g) of Chapter 9 that the vertical commodity marketing associations proposed there could, among other things, render more effective the special efforts which would be required from each vertical link in a commodity production-marketing chain in order to expand exports significantly.

The export problem is aggravated by the pressures exerted by some producing and processing groups to have Canada's tariffs raised on food imports. Tariff structures are decided on a "horse-trade" basis, and first things (from the viewpoint of Canada as a whole) have to be put first in these negotiations because of the ever-present risk of retaliation.

The Enquiry Committee does not favour higher tariffs as a general solution for Ontario's agricultural problems. This is not to say that certain tariff inequities do not exist that need adjustment, or that certain import regulations cannot be improved; for example - having higher tariffs on imports during our marketing season than during the rest of the year, or requiring that imported products be clearly marked as such, or stricter enforcement of the prohibition against consignment importing which demoralizes our markets.

A basic weakness in a policy of pushing overseas exports of Ontario farm products at the present time is the tendency for Ontario's production costs to exceed overseas market prices. We obtained a rough estimate of the increase in cost of farm products by dividing total marketing and distribution expenses by volume of output. The result indicated that Ontario costs were nearly three times as high during the period 1954 to 1956 as during the prewar period 1935 to 1939. The figures also suggest that Ontario's farming costs rose faster than for Canada as a whole.

The Royal Commission on Canada's Economic Prospects in 1957 was not optimi-

stic about increasing exports of farm products; and the four intervening years have borne them out. The tendency for agriculture's share of Canada's exports to decline with increasing industrialization is typical among the history of nations. Export advocates, therefore, should be pinned down to being more specific as to what products can be exported, to what countries, at what prices and in what quantities.

Our studies show that, with the prominent exceptions of the United Kingdom and West Germany, Western Europe is almost self-sufficient in food. The United Kingdom and Western Germany are Canada's main export markets for food. Western Europe is a net importer of fruits and vegetables and tobacco. Without the United Kingdom, Western Europe produces a surplus of meat and dairy products, however. Denmark and the Netherlands are important surplus producers of meat and dairy products, and Italy of fruits and vegetables.

Exports of farm products from Ontario account for about 9 to 11 per cent of the total for Canada. Ontario's main exports are tobacco, soya bean oil cake and meal, soya beans, soya bean oil, and cheddar cheese. About 85 to 90 per cent of Ontario's agricultural exports go to the United Kingdom. Our keenest competitors in the United Kingdom market have been other Commonwealth countries such as Australia and New Zealand.

Being able to export Ontario cheese to Britain at a premium price is an exceptional situation. The per capita consumption of cheese has been rising in both Canada and the United Kingdom. The point about cheese's exceptional situation was made to us by the Milk Producers' Co-ordinating Board. United Kingdom importers are discriminating buyers; even if Britain were prepared to pay a premium price for other premium quality products, which is unlikely, it would require real effort to produce such quality. The export market, moreover, is not a dumping ground for occasional, brief gluts during our peak marketing season - our exporters must produce specifically for export and be able to assure continuity of supply and quality. Most of the key adjustments which we have recommended with respect to streamlining production for the home market would also be necessary if an export drive were to be taken seriously.

The United Kingdom has been a traditional market for Ontario bacon. Under existing European Free Trade agreements, the United Kingdom will remove its 10 per cent duty on Danish bacon in July 1961, and Denmark will have completely free access to the United Kingdom market by 1970. Therefore, even with the removal of dollar restrictions, Ontario bacon faces keener competition in the United Kingdom market. The price of Danish cheese in the United Kingdom will also fall, but this may not seriously harm Ontario cheddar which is not a close substitute and which brings a premium price. The European Free Trade Agreement should not affect Ontario's exports of tobacco and soya bean products.

A greater threat to the prospects of Ontario's agricultural exports comes from the European Economic Community ("Common Market"). The immediate purpose of the European Economic Community is to usher in free trade among themselves while imposing a common tariff against non-member imports. Non-members would include Commonwealth countries like Canada which now enjoy a small tariff preference in the United Kingdom market.

Whether the United Kingdom does or does not join the European Economic Community, the existence of the Community may have an adverse effect on our exports to the United Kingdom and Western Europe. To explain the nature of this threat to our exports, we quote from the London Times Supplement on Agriculture of December 1960:

The development of common production, marketing and trade policies, and the proposed measures for improving agricultural structures and for increasing productivity, indicate the probability of further agricultural expansion in the Community. It may well be that with the growth of industry and the attainment of higher income levels there will be a significant increase in demand for foodstuffs, particularly for the higher

quality and more highly priced products. But since, as noted above, the Six together already produce 90 per cent of their food, it is likely that their additional output will eventually exceed demand. This would have a twofold effect. First, agricultural exporting countries in the Six would bring pressure on the importing countries - especially Western Germany - to cut down their imports from third countries. If this happened it would have the effect of diverting supplies to the United Kingdom. Secondly, the Six themselves would be seeking outlets for their exportable surpluses, and this could cause further pressure on the British market.

Resulting from the European Common Market, Ontario cheese and bacon will likely encounter stiffer competition from the Netherlands, Ontario apples from Italy and soya beans from French Africa. Only highly efficient hog producers will be able to compete with Denmark and Holland in the United Kingdom market. Only Ontario tobacco exports will likely not be adversely affected by the European Common Market.

A market has been reported in the United Kingdom for certain of our processed vegetables, for example tomato juice. Prospective drops in air cargo rates might open up limited overseas markets for certain luxury products - for example Ontario fresh peaches. We understand that the overseas market for broilers is being investigated. The rapid economic strides of Western Europe might make the people there receptive to Ontario broilers.

Markets in the United States for our farm products should also be investigated. United States market prospects for Canadian cattle, beef, veal, bacon, hams and pork shoulders remain intermittently bright, depending mainly on the relation between the hog and cattle cycles in the two countries, and on how rapidly the production of lean hogs increases in the United States. Present United States trade barriers on these products do not appear to be a major obstacle to our exports.

(d) Producing for the Home Market

Another basic weakness in the agricultural export drive, in addition to our high costs of production, is that it is based on a generally false assumption that Ontario is producing exportable surpluses. As we pointed out earlier in this chapter, Ontario consumes more of most important farm products than it produces so that increasing our exports would usually just mean increasing our imports. Surely, then, it makes more sense to try first to expand our share of the home market? The export fever only diverts attention from more challenging marketing realities at home where the lasting solutions lie. To solve the problem of expanding Ontario agriculture's share of the home market would also help to solve the problem of increasing exports.

Ontario markets have definite advantages for Ontario producers: these home markets are already large in number of consumers and average purchasing power, they are expanding rapidly in size, they are close to Ontario's most productive farming area, and they are relatively well understood by Ontario producers. Domestic consumption as a per cent of production has shown an upward trend for most products of importance to Ontario agriculture. While there is general agreement that Ontario producers can only hope to export their best quality, it is not widely understood that this would usually mean that the top quality demands of the home market would have to be met by imports.

There are six key questions to be asked in relation to the competitiveness of Ontario agriculture: (1) How does Ontario's efficiency in producing a particular farm product compare with rival producing regions? (2) What early steps could be taken in Ontario for increasing the efficiency of producing and marketing the particular product? (3) Is Ontario producing the kind of product that is in popular demand? (4) Is Ontario preparing, packaging and promoting the particular product in a popular way? (5) What market outlets in other provinces and countries are available for the particular Ontario product?

(6) Should Ontario be trying to expand or contract its production of the particular product:

Ontario's regional competitiveness in agricultural products cannot be taken for granted, even for fruits and vegetables, imports of which have been increasing. During the last decade, while Ontario's share of Canada's cash farm income from fruit was increasing from about 42 per cent to 45 per cent (Table 11), the value of net imports (imports minus exports) of fresh and processed fruit into Canada increased much faster than Ontario's share of Canada's cash farm income from fruit. In 1959, the value of fresh and processed fruit imports into Ontario from outside Canada was about \$61 million, which was nearly four times as great as Ontario cash farm income from fruit. The value of fresh fruit imports into Ontario was over twice as large as Ontario's cash farm income from fruit. The quantity (weight) of fresh fruit imports into Ontario from outside Canada in 1959 probably exceeded the quantity of fruit grown commercially in Ontario. The most important fruit items imported into Ontario were: citrus, bananas, apples, frozen orange juice, grapes, orange juice, strawberries, and canned mixed fruits. Imports are greatest during the off-season in Ontario, of course.

During the last decade, while Ontario's share of Canada's cash farm income from vegetables remained at about 61 per cent, the value of net imports of fresh and processed vegetables into Canada increased from about 61 per cent to 97 per cent of Canada's cash farm income from vegetables. In 1959, the value of fresh and processed vegetable imports into Ontario from outside Canada was about \$21 million, which was about half of Ontario's cash farm income from vegetables. The most important vegetable items imported into Ontario were: tomatoes, lettuce, frozen vegetables, celery, and tomato paste. The value of fresh vegetable imports into Ontario from outside Canada in 1959 was about 34 per cent as large as Ontario's cash farm income from vegetables. The quantity (weight) of imports of fresh vegetables into Ontario in 1959 probably amounted to one-fifth of the quantity of vegetables grown commercially in Ontario.

It would seem that Ontario possesses as favourable climate and soil for fruit and vegetables growing as exist in Canada. For certain crops like peaches, Ontario has as favourable growing conditions as exist in North America. We are not too impressed by allegations that increasing imports of fresh and processed fruit and vegetables are due to cheap labour in the southern parts of the United States. After all, the northern States also have to compete with this southern produce, and without the benefit of tariffs or as large a transportation differential. What seems more to the competitive point are superior quality control, and economies of larger scale, in the United States. Our relatively small orchards do not lend themselves to cost-reducing mechanization. Keeping in mind that the consumption per person of processed fruit is increasing, we are convinced that production for processing can and should be increased in Ontario. This will require more research into popular varieties, quality improvement and control, and competitive pricing.

Fruit and vegetable processing in Ontario ought to be more efficient than elsewhere in Canada because of the much larger volume handled. The few large international processing companies located in Ontario seem to be up-to-date technologically. The packaging and labelling of processed fruits and vegetables in Ontario appear to be progressive. There may be scope for more promotion of consumer-size packs of frozen foods. This suggests the need for a pilot freeze-drying plant in Ontario, preferably located at the Horticultural Experiment Station at Vineland (reference Chapter 7, p. 81).

Cherry pie filler is in keen demand. We understand that red cherries of excellent quality could be grown widely throughout Southern Ontario. Cherry orchards in the United States, however, tend to be much larger and more mechanized. The Red Cherry Institute is to be commended for its efforts to reduce red cherry imports by increasing production in Ontario.

Vegetable production and processing in Ontario seem sound enough, but we

view with some anxiety the coming competition from vegetables grown on subsidized irrigated land in Western Canada.

The producers of a region do not always have to raise their prices to price themselves out of home markets - inability or failure to reduce costs and prices sometimes is enough. Freakish railway rates can cause serious distortions in the flow of trade. Northern Ontario markets for meat and dairy products may gradually be lost by Ontario producers to producers in Western Canada.

Turkeys provide a recent example of how essential it is to keep up with the times. Increased efficiency in turkey production and evisceration got under way in the United States earlier than in Canada and so also did accompanying cost and price reductions. The fact that large supplies of fully eviscerated turkeys were available from the United States at considerably lower prices, plus an increasing demand, led to substantial importations. Controls were placed on turkey imports in 1957, and since then production and processing have been modernized in Canada, thereby strengthening our competitive position to the point where import controls are unnecessary.

Ontario agriculture has probably been missing its best opportunity of producing for the home market with potatoes. Potato imports into Ontario have been large. We were glad to learn that the Ontario government is taking a new look at its potato policy from the key viewpoints of quality control, improved storage, and demand creation. Quality potatoes must be supplied to the chain stores as and when, and in the amount, needed. We see no good reason why potato producers in Ontario cannot adjust to meet these requirements.

The quality of Ontario grown potatoes has been improving due to a change in varieties, more intelligent use of fertilizers, and other better production practices. Ontario yields of dry potato matter per acre are already high. Mechanization and larger scale can offset higher land and labour costs.

The greatest need is for storages that will maintain potato quality and concentrate supplies. There is also room for improvements in handling and packaging.

Ontario is a large producer of butter, but some of this butter has been of indifferent quality. Ontario is actually in a deficit position in butter, and imports substantial amounts of butter from Alberta. We have already indicated in Chapter 7 how unsatisfactory butter marketing has been, particularly in view of the plight of butterfat producers, to which subject we return later in the present chapter. We commend the sterner steps which are being taken to guarantee uniformly good body and texture of Ontario butter. All fresh and re-worked butter must now be graded. There is also room for improvement in the packaging and promoting of Ontario butter. If these faults can be set right, no sound reason would remain for Ontario to reduce its butterfat production. This does not mean, of course, that a reduction in the number of butterfat shippers would be undesirable.

Only about one-third of Ontario's soya bean oil requirements is supplied by Ontario growers. Soya beans are imported duty-free from the United States. A tariff on soya beans is sometimes advocated. It seems to us that, on balance, this would not help Ontario much because of the higher price that Ontario live stock producers would have to pay for soya meal. Nevertheless, we are informed that improved production techniques could result in an increased production of soya beans in Ontario. Improved varieties of soya beans, planted in rows 7 inches apart instead of 21 inches, might increase yields per acre by 20 to 30 per cent. Total production could increase by more than this, however, because it would then pay to grow more soya beans in place of certain other crops such as corn and wheat.

The three main factors relating to efficiency in hog production are breeding, feeding and disease control. Feed accounts for 80 to 85 per cent of the cost of production. The federal government subsidizes the movement of feed grain.

into Ontario from Western Canada. There is a trend to specialization in hog production, and to feeding hogs a balanced ration, in Ontario. Ontario is more adequately served than other provinces by feed manufacturing and mixing plants. More pigs are being tested in Ontario than in all other provinces together for size of litter, feed requirements, rate of gain and carcass quality. Suitable buildings for hog raising are already available on most hog producing farms in Ontario. For these reasons, Ontario ought to be able to compete with the other provinces in hog production.

In 1960, however, only 34.5 per cent of Ontario hog carcasses qualified for grade A. Too many producers are still using inferior breeding stock. Self-feeders save labour, but require a higher protein ration than hand feeding to prevent the hogs from getting too fat. Although a fat carcass can be trimmed to higher quality, the trimmings sell at low by-product prices thereby reducing the total value of fat hogs. Diseases such as rhinitis and virus pneumonia, are a great deterrent to fast and efficient gain in weight. Steps are being taken to establish disease-free herds at the Ontario Agricultural and Veterinary colleges.

Since Ontario is in a deficit position in pork, the sales of special quality cuts in the United States mean that that much pork has to be brought in from Western Canada. Rapid strides are being made in the United States in improving hog breeding, feeding and management. More research is needed in Ontario into consumer preferences in pork products. Extension work in hog production should be carried out in close conjunction with producers, feed companies and meat packers. More joint effort of this kind is needed to reduce the variability in quality of pork products which undermines consumer confidence. As we have said in Chapter 8, joint effort by the producers, processors and government is also needed to smooth out the destructive swings of the hog cycle. We cannot resign ourselves to an attitude of passive tolerance of this wasteful tradition of alternating over-production and under-production.

Ontario is in a substantial deficit position in beef, with nearly all of the beef imports coming from Western Canada, particularly Alberta. Some of it arrives in the form of feeder cattle and the rest as carcass beef.

A relatively high per cent of beef cattle breeders in Ontario participates in performance testing, and a relatively high per cent of commercial beef herds in Ontario uses bulls with performance records. Ontario beef husbandry is up-to-date on scientific nutrition and the control of parasitic pests. Tuberculosis is almost non-existent in Ontario's beef cattle herds. Brucellosis is being stamped out. Progress is being made in controlling the Warble fly. The proportion of beef carcasses in Ontario grading red and blue brand has been increasing, which is impressive in view of the large number of cull dairy cattle sold for beef in Ontario.

Ontario beef producers are at a disadvantage in two respects, however: higher feed costs, and higher land and building costs, than in Western Canada. Ontario beef producers can offset the higher feed costs to some extent by placing greater dependence on forage crops, which grow to better advantage here than in Western Canada. Better techniques and management could substantially increase forage production in Ontario. Forage improvement programs are being promoted in Ontario, but many producers are unfortunately slow to apply the recommended practices.

It is frequently said that Ontario should concentrate on producing fruit and vegetables and that pork and beef for Ontario markets should be produced in Western Canada where the land and feed are cheaper. (Also see sections (f) and (g) of Chapter 10.) In view of the overwhelming importance of live stock farming in Ontario, we consider this talk to be dangerous. We are not suggesting that all of Ontario's red meat should be produced in Ontario, but we are definitely recommending that Ontario remain actively in live stock and red meat production.

We think that the possibilities of Ontario producing more of its own feeder cattle, perhaps in Northern Ontario, should be studied more thoroughly. We also urge that every technical encouragement be given to large beef feedlot operations.

(e) Summary and Recommendations

This section of Chapter 14 deals with interprovincial and international competition for Ontario farm products. Other interprovincial and international aspects of agricultural production and marketing in Ontario have been discussed in earlier chapters.

Ontario's share of Canada's cash farm income increased during the last decade to where it now accounts for about 31 per cent. Ontario's share of Canada's cash farm income from crops increased, and its share from live stock decreased, during the decade. In spite of the importance of its agriculture, however, Ontario consumes more than it produces of most important farm products.

Increasing competition in Ontario's large and expanding markets gives rise to pressures from Ontario producers to control production and regulate movements into the province from other provinces and other countries. National marketing boards are often proposed for this purpose. The control of domestic trade by national marketing boards is probably unconstitutional. Apart from this difficulty, however, we believe that Ontario farmers have more to lose than to gain from control operations of national marketing boards, because of federal realities such as the policy of inter-regional equalization. We think that interprovincial co-ordination can be achieved effectively between existing agricultural marketing agencies when and where needed.

It has been claimed that producer groups could operate and finance national marketing boards and two-price systems. A network of two-price systems might not be tolerated by our consumers at home or our trading rivals abroad unless it was co-ordinated and controlled by the federal government in the public and national interests. Two-price systems operating on a continuous basis would likely require production quotas.

We see two basic weaknesses in a policy of increasing Ontario's overseas exports: high costs, and a deficit domestic position. The prospects for maintaining, let alone increasing, Ontario's exports to the United Kingdom and Western Europe are not encouraging. Most of the key adjustments which we have been recommending with respect to streamlining production for the home market would also be required if an export drive were to be taken seriously.

Ontario markets have definite advantages for Ontario producers: these home markets are already large in number of consumers and average purchasing power, they are expanding rapidly in size, they are close to Ontario's most productive farming area, and they are relatively well understood. Ontario's regional competitiveness in agricultural products cannot be taken for granted, however. More joint effort by producing, processing and distributing groups is needed to capture a larger share of the home market.

Our recommendations on the subject of Ontario's agricultural competitiveness follow:

1. We recommend that the Ontario Department of Agriculture be responsible for a systematic collection for publication of monthly movements (quantity and value) of farm products into and out of Ontario.
2. We recommend that Ontario actively endorse the recommendation of the Royal Commission on Price Spreads of Four Products for the province of a federal statute enabling incorporation of interprovincial co-operatives.
3. We recommend that a recognized trading specialist be stationed in Ontario House in London, England, to seek out prospective European customers for

our farm products and to relay back to producers, processors and other members of the trade in Ontario precisely what kinds, qualities and other specifications of products are in demand in various overseas markets. This trading specialist must work in close harmony with Canada House.

4. We recommend that the proposed vertical marketing associations for potatoes, fruit for processing, butter, beef, pork, and soya beans place high priority on developing vigorous programs for decreasing the costs of producing and marketing these products in Ontario and on capturing larger shares of the home market for these products.

B. Rural Development

People have been leaving Ontario farms for other jobs for many decades. The Ontario Agricultural Commission of 1881 spoke of "...the growing disposition of the rising population of our agricultural districts to forsake rural life..." The massive technological advance in farming in recent years makes tens of thousands of farm people obsolete and surplus. Complicating this picture is the declining market for certain farm products (such as butterfat) which are a cash staple for many marginal and low-income farms. The impressive exodus of farm people since World War II has been insufficient to keep up with labour-saving developments, as we have already shown in Chapters 4, 5 and 11. Many rural victims of economic change have been by-passed altogether; they have neither adjusted in farming nor out of farming.

Some people recommend a more rapid subsidized shift of surplus farm people into other industries in the towns and cities. Other people recommend that new industries be encouraged to locate in depressed rural areas in order to provide full-time or part-time employment for surplus farm people. Both approaches recognize that reducing the number of submarginal farms and farm people is the target, but the one approach is to move the surplus labour to existing industry and the other approach is to move industry to existing surplus labour. Rural Community Development is a general approach which would combine both of the foregoing lines of attack - that is, increasing labour mobility and increasing capital mobility.

Rural Development cannot rely entirely on increasing capital mobility because in some depressed rural areas, the possibilities of profitable industrial development are extremely limited. Although this problem requires more careful study, there appear to be several reasons for this lack of economic opportunity. Local markets may be too small to attract industries. Some key resource may be lacking in the area. Social facilities such as roads, railways, schools, and churches may be inadequate. In general, economic development is more difficult in poorer rural areas, especially if they are located on the fringe of settlement.

The problem situation to which Rural Development applies could not be cured by higher farm prices. The amount produced for sale on these submarginal farms is inadequate to provide an acceptable level of living for the farm family under any likely price conditions. The result tends to be rural slums.

Commercial farmers have an indirect interest in Rural Development. The impact on market prices of the combined production of submarginal farms is neither negligible nor beneficial, especially since the quality of their products tends to be below average.

Farms having a total value of product of less than \$1,200 a year would be the logical target group at the outset of a Rural Development program. This is a large group in Ontario. In 1956, there were 26,786 such "non-commercial" farms. The only province with more non-commercial farms was Quebec. Ontario, with 24 per cent of Canada's farms in 1956 accounted for 22 per cent of Canada's non-commercial farms.

Although there are some low-income farms in every county of Ontario, the low-income farms are concentrated in certain regions. Judging by capital assets and gross income per farm computed from the 1951 Census, the most urgent regions of concern in a Rural Development program would be: the Districts in Northern Ontario including Manitoulin, the Districts of Parry Sound and Muskoka, and the counties of Haliburton, Huron, Hastings, Lennox and Addington, Frontenac, Leeds, and Grenville. In addition, there are pockets of low-income farms in other counties which need attention.

Ontario is probably more fortunate than most provinces in having a variety of opportunities for farm people to work in other industries. Industries, if

they are to provide farmers with seasonal off-farm employment, must be located nearby. Furthermore, they should require easily learned skills, such as forestry and construction. Catering to tourists also offers some opportunities.

Of the 26,786 non-commercial farmers in Ontario in 1956, 55 per cent reported no non-farm work, 4 per cent reported 1 to 3 months, 6 per cent reported 6 months, and 35 per cent reported 7 to 12 months.

Off-farm work opportunities vary a lot from county to county. Judging by the 1951 Census, some districts and counties with low farm values and incomes also have low off-farm employment opportunities. The need for off-farm work is greater in Northern Ontario where farm families tend to be larger.

The details of the new Agricultural Rehabilitation and Development Act ("ARDA") of the federal government are not yet known, but the general outline was contained in Bill C-77 which received first reading on March 23, 1961, and which authorizes the federal Minister of Agriculture to enter into agreement with any province for projects (1) for the alternative uses of land, (2) for Rural Development, (3) for soil and water conservation, and (4) for research along those lines.

As pointed out by the Hon. Alvin Hamilton, federal Minister of Agriculture, to the House of Commons on January 25, 1961:

There must be co-operation not only between the senior governments but also between the senior governments and the local people. One of the key points will be the widest possible participation not only by farmers but by every group in our rural communities. In sum total, agricultural rehabilitation and development must be a co-operative enterprise of governments, groups and individuals. This would also include the churches.

Canada, through the Prairie Farm Rehabilitation Act, has had considerable and favourable experience with a similar program. Pioneering studies have been made recently in South-central and South-western Manitoba. Agencies such as the conservation authorities and the Glackmeyer Committee in Ontario (Chapter 12 B), and the Senate Committee on Land Use all recommend similar programs. The Canadian Agricultural Economics Society has recommended an action program based on additional research. The Canadian Federation of Agriculture and National Farmers' Union endorse a Rural Development program. All national political parties support the principle of Rural Development.

A Rural Development program was initiated in the United States in 1955 as a result of concern over the plight of poor farm and non-farm people in rural areas. While its administration lies ultimately with the highest civil servants from the Departments of Interior, Commerce, Agriculture, Labour, Health Education and Welfare, and the Small Business Administration, its orientation is toward self-help and local initiative.

The United States program embraces all aspects of rural community development from new industries and improved marketing facilities to improved farm practices and recreational land uses. Every effort is made to develop a community spirit - a working enthusiasm for the development project. But it is not the purpose of the United States Rural Development Program to encourage people to stay on farms when it is evident that they would be better off somewhere else.

Europe also has a rural rehabilitation problem caused by the technological revolution in agriculture. In a recent book, Food, Land and Manpower in Western Europe, P. Lamartine Yates maintains that the European farmer's productivity is much less than it could be, and so the State has to give him subsidies or artificial prices to sustain his income. He feels that European agriculture could produce enough food on less land, with less labour, at lower prices, and still earn better farm incomes, if the general resistance to the trend to fewer farms could be reversed. European industry is anxious enough to employ the

surplus farm labour, but the jobs and the surplus people are in different places. He argues that their transfer has to be organized deliberately, moving jobs to where the men are and moving men to where the jobs are.

The rural poor in Ontario, both farm and non-farm, have much to gain from active participation by Ontario in "ARDA". Ontario's participation should involve jointly local municipal councils, and the Departments of Agriculture, Lands and Forests, Commerce and Development, Travel and Publicity, Economics, Municipal Affairs, and Education. The socio-economic role of the agricultural representative in this program has been stressed in Chapters 11 and 13. The primary emphasis must be placed on the better use of human resources in the rural community.

The program should include provision for buying up submarginal farms and consolidating them into economic units for resale or taking them out of farming altogether and converting them into forests or public parks, for which there is an increasing demand in Ontario. In a recent report entitled The St. Lawrence Area Recreation, the Ontario Department of Municipal Affairs stated that "Spectacular postwar population growth in central Canada and adjoining regions in the United States, increased mobility through wide-spread ownership of private automobiles and increased leisure time have combined to severely strain existing recreational facilities in Southern Ontario." Recreational facilities are needed most in the more densely populated parts of Ontario, and this is not where submarginal farm land is most readily available for public uses, as explained in Chapter 12. Fortunately, the more distant recreational facilities are becoming increasingly accessible.

Conclusions and Recommendations

Rural Development has important implications for land use and resource conservation, especially human resources. Private persons working within the economic horizon of one life-time tend to underestimate the value to the economy of investment in the human resource, in reforestation, and soil and water conservation. Governments therefore must take the initiative in this field.

1. We recommend that the Ontario government, in co-operation with the federal government and with local initiative, develop a broad inter-departmental program of Rural Development, and that this be written into the production part of the Agricultural (Production and Marketing) Adjustment Act proposed in Chapter 13.
2. We recommend that generous federal-Ontario pilot "ARDA" projects be started soon in the more urgently needy regions of the province mentioned in this chapter. This should include a program for re-training displaced persons.
3. We recommend that technical courses be offered wherever possible in schools in depressed rural areas. (Also see related recommendations in Chapters 11 and 12.)

C. The Margarine-Butter Issue

The representations made before us at the public hearings on the margarine-butter issue came from two main interest groups - the edible oils industry and individual consumers. Apparently, the lack of specific representation from the cream and butter producers on this subject reflects their satisfaction with the present situation.

The Oleomargarine Act of Ontario states as follows:

No oleomargarine shall have a tint or shade containing more than one and six-tenths degrees of yellow, or of yellow and red collectively, measured in terms of the Lovibond tintometer scale read under conditions substantially similar to those established by the United States Bureau of Internal Revenue, or the equivalent of such measurement.

In other words, the Oleomargarine Act bans colouring margarine a butter yellow.

Eighteen briefs by individual consumers or groups of consumers were presented to the Committee. All of these submissions requested the removal of the Ban on factory colouring of margarine. The main reasons given for this request centred around the inconvenience of home colouring. Many consumers argued that this practice is time consuming, messy and wasteful and that factory colouring would be more efficient. Several presentations argued that the law against factory colouring interferes with the consumer's freedom of choice and considered this undemocratic. Similarly, it was considered unfair and discriminatory to allow factory colouring of butter (which is generally practised during the winter months) but not of margarine.

The Institute of Edible Oil Foods represented the industries concerned with the growing of oil seeds, seed crushing and oil extraction, refining and processing of edible oils, and the manufacture of edible oil foods. (The Ontario Soya Bean Growers' Marketing Board withdrew its membership in the Institute shortly after the presentation.) The Edible Oils Institute objected generally to "restrictive" legislation curbing the sale of vegetable oil products, including margarine. The Institute contended that there is a need and desirability of expanding oil seed agriculture in the interest of increased self-sufficiency. In addition to arguments presenting the consumers' point of view on colouring margarine, the Institute suggested that the sale of coloured margarine would not substantially reduce sales of butter. It recommended that a special Board of Enquiry be set up to study the whole question.

In view of the keen interest shown in the margarine-butter issue, we asked our research staff to investigate the probable effects of the introduction of yellow factory colouring of margarine upon butter consumption and soya bean production in Ontario. Similar experiences elsewhere in Canada and the United States were studied.

The yellow colouring of margarine at the factory is permitted in 48 of the states of the United States, and in Newfoundland, British Columbia and Manitoba. Yellow spreads made from animal fats have sold freely in Quebec.

In the last twenty-five years in the United States, total fat consumption per person has remained steady. Part of the increase in the consumption of edible oils other than margarine was at the expense of decreases in the consumption of butter. Margarine has probably accounted for only about half of the decline in butter consumption.

We have come to the conclusion that the introduction of factory colouring-like-butter in Ontario, under present price conditions, could result within a year in an increase in the per capita margarine consumption of about two pounds, and a decrease in the per capita butter consumption of about one pound. Substitution of margarine for butter might be made beyond the first year due to

margarine being coloured yellow (as distinct from further substitution due to the difference in price), but it would be at a much reduced rate.

The effect of factory colouring of margarine on Ontario farm income could be considerable in the absence of the existing federal price support program for butter. With butter retailing at 71 cents per pound its farm share of about 78 per cent results in a farm value of 55 cents. A 31 per cent farm share of the price of margarine gives a farm value of 9 cents when margarine is retailed at 30 cents per pound. Only about 55 per cent of this 9 cents accrues to soya bean growers, and about 66 per cent of the soya beans used in manufacture are imported. The Ontario soya bean growers therefore get about 1.66 cents from a pound of margarine. If two pounds of margarine were to be substituted for one pound of butter during the first year and consumption then were maintained at this level, the decline in cash farm income would be about 52.5 cents per person in Ontario. The 1961 population of Ontario being approximately 6.2 million, total cash farm income would be about \$3,203,000 smaller. The loss of cash farm income to the dairy farmers producing cream or milk for butter would be about \$3,410,000, and the gain to Ontario soya bean growers probably about \$207,000. Butterfat producers do not grow soya beans, and we are not suggesting that the losses suffered by the one group of producers would be alleviated by the gains of the other.

As long as the present federal policy continues of supporting butter at 64 cents per pound, however, Ontario's cream producers would not suffer a decline in income as a consequence of the decline in butter sales, simply because unsold butter would be purchased for federal storage. Nevertheless, we do not feel that we are justified in turning our backs upon such a heavy contingent federal commitment. The contingent federal commitment would be heavy whether the present purchase-for-storage program for butter were continued or changed to a consumer subsidy basis. This suggests the need, to which we have referred in Chapter 8, for close co-ordination in federal and provincial dairy policies. Either the federal government or Ontario farmers stand to lose heavily from a sudden drop in butter consumption.

The federal support price of 64 cents per pound of butter has aggravated the surplus butter situation. If colouring of margarine were to be permitted at present in Ontario the accumulation of storage butter would become insupportable, and the federal government would be forced to reduce the support level drastically.

Conclusions and Recommendations

The margarine-butter issue is a controversial one, upon which honest differences of opinion exist. The substitution of margarine for butter is only part of the complicated interrelationship among all animal and vegetable fats and oils. As we pointed out in Chapters 2 and 8, trends in the consumption of dairy products indicate a need for de-emphasizing butterfat, as distinguished from other nutrients in milk.

The main reason for wanting margarine yellow is that the consumer regards it as the traditional colour for a quality bread spread. The margarine makers and consumers want to colour their margarine indistinguishably from butter. History elsewhere suggests that the lifting of the colour ban in Ontario is just a matter of time.

We recognize that factory colouring-like-butter of margarine in Ontario would be a convenience to margarine users as well as a boon to margarine producers. On the other hand, dairy farming is the most important branch of agriculture in Ontario, and cream (butterfat) producers are the largest single group of dairy farmers. The cream cheque is often this group's most regular source of cash income. If yellow colouring of margarine were to be allowed in Ontario, we feel certain that the sales of butter would decline as a result. This impact would be especially strong during the first year.

1. Time must be allowed for adjustment before permitting the yellow colouring of margarine in Ontario. As a preliminary step, we recommend that the retail price of butter be reduced initially by 15 cents per pound, with the federal government absorbing the major share of the 15 cent drop and the farmer absorbing the remainder. This should result in increased consumption, in decreased production, and in lower stocks. After the first year, further price adjustments might be necessary to make butter competitive.
2. To give butterfat producers time to adjust, we recommend that the Ontario government announce now that four or five years from now all restrictions on margarine colouring will be lifted.
3. Many butterfat producers are on marginal farms in marginal farming areas. These producers must be convinced that the market outlook for butterfat is bleak, and then they should be helped to adjust their type of farming or their occupation. We recommend that butterfat producers be helped to adjust by the Rural Development program outlined in section B of Chapter 14.
4. The Ontario and federal governments in the past have encouraged butter production and must bear major responsibility for the present surplus situation. We recommend that a joint or separate program of research be undertaken by the Ontario and federal governments to try to find new uses for butterfat, and ways of placing more economic emphasis on solids-not-fat.

D. The General Farm Organizations

In the past, Ontario farm people have tried several general farm organizations. There are now two general organizations of farmers in Ontario - the Ontario Federation of Agriculture and the Ontario Farmers' Union. Affiliated with the Ontario Federation of Agriculture are numerous provincial commodity and co-operative organizations. The Ontario Federation of Agriculture and the Ontario Farmers' Union are themselves affiliated each with a counterpart national organization - the Ontario Federation of Agriculture with the Canadian Federation of Agriculture, and the Ontario Farmers' Union with the National Farmers' Union.

The Ontario Federation of Agriculture came into being in 1936. It was originally named the Ontario Agricultural Conference, and was considered to be a provincial section of the Canadian Chamber of Agriculture - the forerunner of the Canadian Federation of Agriculture. In 1937 the name of the Ontario producer organization was changed to Ontario Chamber of Agriculture.

One of the original aims of the Ontario Federation of Agriculture, which was organized and built on the determination and faith of its followers to improve agriculture for farmers, was to enable Ontario farm and co-operative organizations to function within the national organization, the Canadian Chamber of Agriculture. The sponsors were the United Farmers of Ontario, and the United Farmers' Co-operative Company, but the list of members in the first year included the Ontario Whole Milk Producers' League, Ontario Cheese Patrons' Association, Ontario Fruit Growers' Association, Ontario Vegetable Growers' Association, Ontario Honey Producers' Co-operative, Canadian Co-operative Wool Growers' Association, Ontario Sugar Beet Growers' Association, Ontario Manufactured Milk Producers' Association, First Co-operative Packers of Ontario, Ontario Burley Tobacco Marketing Board, Ontario Flue-Cured Tobacco Scheme, and several others not now in existence. The budget for the first year was set at \$950.

In 1938 a move was made to organize counties and districts and by 1939 six county Chambers of Agriculture had joined the Ontario Chamber of Agriculture. In 1940, the name was changed to the Ontario Federation of Agriculture to conform with the change of name of the national organization to the Canadian Federation of Agriculture. In 1943 at the convention of the United Farmers of Ontario, the members agreed to merge with the Ontario Federation of Agriculture.

All along the way during these years, new members were being added to the Ontario Federation of Agriculture. It became an incorporated body on August 23, 1956, and by 1960 the membership totalled 83 organizations representing every phase of agricultural production in the province, including, in affiliation, the Women's Institutes and Junior Farmers of Ontario. Farmers in Ontario do not have direct individual membership in the Ontario Federation of Agriculture; their membership in township, county or district Federations, or in commodity, co-operative or educational groups is their link with the parent organization. It is the local group, rather than the individual farmer that has membership in the Ontario Federation of Agriculture.

The Ontario Federation of Agriculture is financed through an agreement with member associations by which county and district Federations are assessed a fee on the basis of 67 cents per farm, and commodity groups are assessed a fee based on the three-year average gross market value of the commodity marketed. Two of the Co-operatives pay a fee based on net profits, and the remaining associations and educational groups are assessed an agreed fee. The 1959/60 budget was set at \$183,395.

Each member group is given representation in the Ontario Federation of Agriculture with a total of 159 official representatives. These elect a 29-man Board of Governors, and the Governors elect a President, two Vice-Presidents, and three Executive representatives from their number. These people, together with the immediate past president, constitute the seven-man Executive Committee which guides the organization. Policy is determined by means of resolutions

from local and affiliated groups, and from the floor, and adopted at annual meetings.

There are four departments (Research, Field Service, Properties, and Information) each with a Director, and these departments carry out the policies as defined by the members. Overall direction comes from a Secretary-Manager, who guides the work of the 14 staff members, and assists in the co-ordinating of the 83 member organizations.

The Ontario Farmers' Union was formed in 1952. It had its beginning in a public school house near Maxwell in Grey County. First called the Canadian Farmers' Union, the name was changed to its present form when it was discovered that other Farmers' Unions existed in the three prairie provinces of Manitoba, Saskatchewan and Alberta.

Concerned by the tumble of farm product prices, which began in 1951, this small group of public spirited persons determined to attack what they felt was the exploitation of farm people.

Several of the 17 original members had experienced industrial work and reasoned that farm people required an aggressive, grass-roots organization similar to a labour union to protect their interests.

Organization is on a local, county and provincial basis. Membership is entirely voluntary. Farm families in a community form a local. The annual family membership dues include farmer, wife and children of 15 to 21 years of age. The dues are divided among local, county and provincial organizations, with the largest portion going to the provincial organization. Each local has its own officers and holds regular monthly meetings to discuss problems or attend to other business. Locals within county boundaries join together to form a county organization which deals with county affairs and elects representatives to the Provincial Board of Directors. There are 334 locals in 23 counties and 2 districts.

Farm women play an important part in Farmers' Union affairs and enjoy equal status with men. Each county is entitled to be represented by one man and one woman director, both sit on the Provincial Board, and are voting delegates to the Annual Convention. Locals are entitled to be represented at the Annual Convention by one voting delegate for every 30 members or major portion thereof. Visitors are encouraged.

Policy is formed by resolutions approved by the Annual Convention.

Provincial officials consisting of a President and two Vice-presidents, a women's President, and one women's Vice-president are elected by the Annual Convention.

The Executive Committee consists of the President and first Vice-president, the women's President, and three other members of the Provincial Board to be elected by the Provincial Board.

The chief objective stated by the Ontario Farmers' Union is the preservation of the family farm. It hopes to accomplish this through producer-controlled marketing, greater use of co-operatives, efficient production methods, and price supports based on production costs to be paid on a limited amount of produce for each farmer.

The Ontario Farmers' Union is a member of the National Farmers' Union. With the Unions of the other member provinces, British Columbia, Alberta, Saskatchewan and Manitoba, the Ontario Farmers' Union hopes to extend the National Farmers' Union to the Maritime provinces. The National Farmers' Union is the national organization of the provincial Farmers' Unions; it makes national representations and co-ordinates the activities of all five Farmers' Unions.

Through the National Farmers' Union the Ontario Farmers' Union is represented on the Canadian Farmer-Labour Co-ordinating Council, an organization composed of representatives of the five Farmers' Unions and the Canadian Labour Congress. The Farmers' Unions believe that farmers and industrial workers are interdependent and should endeavour to work together wherever possible.

Conclusions and Recommendations

Since current government programs are in large measure what farm groups have requested, the Enquiry Committee believes that farm organizations should give very careful study to policies and their long-run effects and side-effects before pressing them on governments. We commend the resolution at the 1961 annual meeting of the Canadian Federation of Agriculture: "Resolved that in future, before going to government with our problems, we investigate as to whether the solution does not lie within our hands." This sometimes requires consulting impartial specialists.

When the commodity groups were established, the commodity approach to organizing was probably the right one. It seems to the Enquiry Committee, however, that at the present time two general farm organizations and the many commodity organizations result in duplication, waste and weakness. Commodity organizations tend to think only of their own product and ignore any harmful influence on other farmers. Also, there is too much money held idle in bank accounts and securities throughout the network of Ontario farm organizations right down to the local level.

1. With the trends to fewer farmers and their declining political influence, the Enquiry Committee believes that the interests of Ontario farmers as a whole could be served better by one general farm organization. Accordingly we recommend that the Ontario Federation of Agriculture and the Ontario Farmers' Union unite soon with a single, clear and responsible voice.
2. To look after producer marketing, the single general farm organization should have commodity departments. Specialists should be hired to manage the day-to-day details of the commodity departments, but subcommittees of elected producers should be responsible to the general farm organization for each department's actions. The elected president of the general farm organization would be automatically a member of each commodity subcommittee.

Although some of us feel that it could undermine the independence of the general farm organization, the majority of us feel that these commodity subcommittees should carry on the activities now performed by local producer marketing boards. All farm organization funds would be handled by the general farm organization with separate accounts for each commodity subcommittee. Adequate funds would be retained in the central account of the general farm organization, however, to retain competent research and legal staffs and to maintain field services, all of which would give the average farmer more for his deduction dollar. The commodity subcommittees should co-operate with the vertical commodity marketing associations recommended in Chapter 9 of our Report.

The Enquiry Committee recognizes that existing commodity organizations are deep rooted and may hesitate to voluntarily hand over their authority. A majority of us believe, however, that it would be in the interest of Ontario farmers as a whole for them to do so. To achieve this objective, therefore, a majority of us recommend that a maximum period of about three years be set for the merging of the Ontario Federation of Agriculture and the Ontario Farmers' Union, at the end of which period local marketing board powers would be transferred from existing commodity organizations to the single general farm organization by the Ontario Farm Products Marketing Board. The general farm organization would then delegate these producer board powers to its appropriate commodity subcommittees.

PART III - CONCLUSIONS AND RECOMMENDATIONS

CHAPTER 15 - INTERIM RECOMMENDATION AND PROGRESS REPORT

A. Interim Recommendation

On November 19, 1959, the Enquiry Committee made an "Interim Recommendation on Hog Marketing" to the Honourable Minister of Agriculture for Ontario. The text of this Interim Recommendation is reproduced below for the record.

Interim Recommendation on Hog Marketing

November 19, 1959

The Ontario Agricultural Marketing Enquiry Committee, having studied the conflicting representations made before it at the public hearings in October 1959 by the Ontario Hog Producer Organizations, the Free Enterprise Hog Producers, and the Meat Packers' Council concerning the present methods of assembling and selling hogs in Ontario, believe that in order to make fair and valid appraisals of these contentious matters more information and evidence is needed as to current practices in directing farmers' hogs to assembly yards, as well as to specific instances of complaint by meat packers of discriminatory allocation of hogs by the Hog Producers' selling agency and as to the selling methods and actual practices of the Hog Producers' selling agency in allocating hogs among the packers.

Accordingly, the Enquiry Committee recommends that the Ontario Farm Products Marketing Board station expert, impartial observers at key points in the assembling, selling and buying stages of hog marketing for an adequate length of time in order to acquire the additional evidence needed for reaching just verdicts on the present system of assembling and selling hogs in Ontario.

D. R. Campbell

G. W. Greer

Gordon L. Hill

F. W. P. Jones

E. Frank Palmer

G. A. McCague

B. Progress Report

On March 11, 1960, the Enquiry Committee submitted to the Honourable Minister of Agriculture for Ontario a Report on the Organization and Activities of the Enquiry to March 11, 1960. The text of this progress report, minus the Letter of Transmittal, Order-in-Council 1040/59, and Addenda, is reproduced below for the record. Order-in-Council 1040/59 appears at the beginning of our final Report. The Addenda contained a list of Briefs presented up to March 11, 1960, a completed list of which is provided below in Appendix A of the final Report. The Addenda also contained some press releases which we have omitted here in order to save space. The progress report contained no recommendations.

Report of the Agricultural Enquiry Committee of Ontario on the Organization and Activities of the Enquiry to March 11, 1960

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A. Explanation of Nature of the Report

This Report deals with the organization and activities of our Enquiry up to the present. It would be impossible (not to say imprudent) for us to anticipate at this time either the findings and recommendations which may be included in our final report or the process of reasoning and analysis by which these findings and recommendations may be reached. We are conducting this investigation along two main lines - holding public hearings and conducting systematic research. Although we have heard from a large number of groups, our public hearings are not yet completed. The research programme which is now nicely underway was delayed at the outset due to the difficulty of obtaining suitable personnel. Any pronouncements by us at this time, therefore, would be premature, to say the least. In the interests of promoting a clearer and more widespread understanding of the purpose and nature of the Enquiry, however, we are anxious to make the present statement about our procedure.

B. Set-up and Nature of Enquiry Committee

The scope of a Commission or Committee of Enquiry is prescribed by its Terms of Reference. The Terms of Reference in Order-in-Council 1040/59 of 26 March 1959 which set up this Enquiry charged us with broad responsibility for investigating:

1. Generally, into the problems of packing, storage, processing, marketing, transporting and distributing agricultural products produced in Ontario; and
2. Particularly in respect of
 - (a) existing producer marketing plans and arrangements in the light of present large-scale food processing and distributing systems and the effect of this concentration of buying power on the producer and the most practical form of producer group action to meet this concentration;
 - (b) the economics of the present packing, storage and processing facilities, procedures and techniques employed in Ontario;
 - (c) the factors involved in marketing, processing and transporting agricultural products.

It had previously been announced in the Speech from the Throne of January 27, 1959, that "The enquiry will be aimed at facilitating the marketing and processing of Ontario farm products to meet the requirements of consumers whose purchasing habits are being altered by new merchandising facilities and methods". The Minister of Agriculture announced to the Legislature on 19 March 1959 that the enquiry should go beyond marketing "...right back to the producers of farm crops in connection with varieties and the whole matter of producing good foodstuffs for the consuming public". Our agricultural investigation, then, has a forward-looking marketing orientation, but it also clearly involves production. In short, production and marketing for our purposes are inseparable.

We have emphasized this point because the scope of our investigation has been mistaken by some people as being narrowly confined to agricultural marketing. The word "marketing" in the name of our Enquiry Committee has probably been mainly responsible for this misunderstanding; we would more accurately be known as "The Agricultural Enquiry Committee of Ontario".

It is abundantly clear that we are to concern ourselves with the longer-run significance of the far-reaching changes that are underway in consumer buying and merchandising as these affect the production and marketing of farm products. The Minister of Agriculture informed the Legislature on 19 March

1959 that the purpose of the Committee was "...to make a complete study of the whole matter of farm marketing in the long-term interests of the agricultural industry in the Province of Ontario". The Minister also stated that it was to be, for the most part, a "research enquiry". Our responsibilities, therefore, do not include solving short-run problems that arise from day to day and which are the proper concern of the industry itself and the permanent full-time officials of the Department of Agriculture. A temporary committee like ours, that ceases to exist once it makes its final report, is quite incapable of coping with specific short-run administrative problems. To put it another way, our efforts are directed mainly to studying general trends and diagnosing persistent problems rather than to putting out "brush fires".

Our first Committee meeting was held on April 8, 1959. It was decided that the following sources would be used for information and ideas upon which to draw our conclusions and make recommendations:

- (a) public hearings,
- (b) a systematic research programme,
- (c) other sources such as government departments, universities, published studies, etc.

Schedules for our public hearings were drawn up and advertisements were placed in the daily papers and farm press. (See Pages 22-25 in Addenda to this Report.) Accommodation for the hearings was secured and procedural rules were drawn up. The first public hearing was held on May 19, 1959, when Ontario's two general farm organizations presented briefs.

In his opening remarks at the first public hearing, our Chairman, Professor Jones, said that he felt the best way to conduct a committee of enquiry of this type was to hear from all groups dealing with farming that wished to present briefs. Much thought has been spent in defining the problems to be investigated. The future welfare of the farmer is of primary concern to the Committee but the processors and consumers are also important.

Formally opening the hearings, the Honourable W.A. Goodfellow, Minister of Agriculture, instructed the Committee to investigate the whole field of marketing, remembering that what is good enough today may not necessarily be good enough tomorrow. Careful study is needed to insure that farm people share in the general prosperity of the country. The investigations of the Committee should cover the whole field of farm enterprise from production through to final consumption. The Committee should not try to pinpoint any one item but rather to make an exhaustive study, relating marketing problems not only to farming but to industry as a whole.

The first employee of the Enquiry Committee was a General Secretary who began his duties on May 19th. He is Mr. C.M. Riach, on loan to us from the Ontario Department of Agriculture. A qualified Director of Research to head up the research programme was more difficult to find. The man desired by the Committee was serving with a Royal Commission in Ottawa and was not available until September 1, 1959. He is Dr. William E. Haviland, formerly professor at Macdonald College. Accordingly the research work of the Committee did not get underway until autumn.

Public hearings were held in three periods:

- (a) May-June 1959,
- (b) September-November 1959,
- (c) February-March 1960.

(For a complete list of briefs submitted at the hearings and the dates of presentation, see Pages 17-21 of Addenda.)

Press coverage of the hearings has been excellent with newspapers across the Province allotting considerable space to reports of the hearings. Two press releases by the Committee (See Addenda Pages 26 and 27) also received wide coverage.

C.

The Research Programme

Our public hearings were informative and provided us with valuable insights into key problems in the production and marketing of farm products in Ontario. Frequent gaps were left and questions raised by the public hearings, however, which can only be filled in and answered by systematic, unbiased research. Such practical research is essential if we are to do a good job, for without it our findings would be only the common denominator of our several opinions. We have no wish to depart from the well-established and distinguished research tradition set by Commissions of Enquiry in this country.

We feel that there is widespread understanding and acceptance of the fact that scientific research in agriculture, along chemical or genetics lines for example, cannot be forced. We deem it important to point out that this socio-economic research which we are conducting is no different from this.

From the outset of our public hearings, the briefs presented have repeatedly called upon the Committee itself to conduct marketing research studies as well as to lend our support to more marketing research on a continuing basis. Early in September we selected the fields in which research seemed to be needed most, and we agreed that an adequate research staff should be recruited as soon as possible in order to carry out this research programme. Our research topics are:

1. Alternative systems of marketing farm products
2. Family farming and rural-urban migration
3. Transportation
4. Demand and supply prospects
5. Large-scale buying and selling
6. Price making in the markets
7. Vertical integration
8. Quality control, packaging, storage, handling, etc.
9. Farm management
10. Northern Ontario and Metropolitan Toronto regional studies

We have three of these projects underway, and are engaging staff members from various universities during their summer vacation months to carry out the remaining studies. These men have been carefully screened in order to mobilize a research staff that is well-trained, experienced and has a practical background. They will, for the most part, be working here as a team, under the supervision of Dr. Haviland, our Director of Research. We are fortunate, however, in having the Economics Division of the Canada Department of Agriculture undertake in our behalf the study of Family Farming and Rural-Urban Migration.

D.

Recurrent Problems Raised in Briefs

It is interesting to note what problems have been laid before us repeatedly at the public hearings. We merely list these problems here without critical comment on our part at the present time.

It has already been mentioned that we have often been asked to conduct research into some aspect or other of the marketing of farm products and also to lend our support to more marketing research on a continuing basis. We have been told that, compared with production research, the amount of marketing research has been negligible. It has been said that forward-looking marketing research is needed in order to anticipate pressure spots and to prescribe

corrective measures before the trouble reaches crisis proportions. Support has also been registered at the hearings for agricultural education and the diffusion of technical know-how and market information.

Two of the subjects more frequently arising at the hearings were compulsory marketing boards and voluntary co-operatives. Both of these systems of marketing had their champions, and we were asked to try to find some formula for their peaceful co-existence and, if possible, active partnership. There is little difference of opinion between these groups, however, in believing that the individual unorganized farmer is no match for the few buyers of most farm products. (We should point out that in the recent reorganization of the Department of Agriculture a co-operatives branch will be set up.)

Another frequent subject of discussion at the public hearings has been price-making in the markets for Ontario farm products. More knowledge is sought about the process of price-making in these markets. Our attention has been drawn especially to the trend toward large-scale buying and selling of farm products and to the impact of modern merchandising practices such as "loss-leader" selling.

Quality control has been a recurrent topic in the briefs. The need has been stressed for co-operation from all sectors of the industry in achieving uniformly high quality of products right through to the consumer. The consumer is recognized as the final arbiter, and it is realized that her pattern of tastes is continuously on the move.

Interest has also been expressed in the changes taking place continually in processing, packaging, handling, storage and transporting farm products. The technical aspects of these subjects are evidently related to an increasing awareness within the industry of the need for actively promoting the sales of farm products by expanding existing outlets and developing new markets.

Repeatedly, our attention has been drawn to the inter-provincial and international competitive aspects of Ontario's farm marketing problems. Prominent examples of these are deficiency payments and tariffs on competing imports. Some briefs have also indicated an awareness of the important part that agriculture can play in the general economic expansion of Ontario.

Throughout much of the material presented to us at the hearings has run, implicitly or explicitly, a family-farm philosophy. One of the by-products of this is a continuing uneasiness about vertical integration in the production and marketing of farm products. At the same time, it seems to be widely recognized that the farmer himself has been exceptional in our economy in his tendency to walk away from his product once he has produced it.

In its more general terms, the problem facing family farming has been described as inadequate and unstable income. Some people have suggested to us that control of production is the only way to increase farm incomes without at the same time causing insupportable surpluses. Other people apparently would draw the line on this amount of detailed regulation.

E. Enquiry Committee's Future Schedule

Our public hearings have now been completed excepting for a Northern Ontario circuit in early May. Hearings of a general nature will be held in Northern Ontario on the following dates:

May 2, 1960	-	Dryden
May 3, 1960	-	Fort William
May 4, 1960	-	Sudbury
May 5, 1960	-	New Liskeard
May 6, 1960	-	Cochrane

It still remains for us to complete the sifting and assessment of the great amount of material submitted at the hearings and to study the reports of our research department as they become available. We have reached the stage where frequent Committee meetings are necessary.

Evidence supplementary to the briefs and discussions at the public hearings is being obtained by correspondence and special appearances before the Committee. A good example of this is a meeting called for late March when four leaders in the field of farm management have been invited to discuss this topic with the Committee. Other meetings of a similar nature will be convened from time to time throughout the summer and autumn months.

We are hoping to have our final report with conclusions and recommendations ready for submission to the Minister of Agriculture in May 1961.

Respectfully submitted,

F.W.P. Jones
(Chairman)

E. Frank Palmer

D.R. Campbell

G. W. Greer

Gordon L. Hill

CHAPTER 16 -- SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

OF THE FINAL REPORT

The various summaries of chapters, conclusions and recommendations of our final Report are assembled in the present chapter.

PART I - THE CENTRAL PROBLEM

Chapter 1 - Introduction

Agricultural conditions in Ontario in 1959 at the time of the appointment of the Enquiry Committee had two deeply disturbing features: the worsening plight of our farmers and their declining share of Ontario's expanding market.

In accordance with our terms of reference and instructions, we have endeavoured to carry out a thorough and forward-looking study of agricultural production and marketing in Ontario.

Chapter 2 - Trends in Demand

The strength and pattern of demand for farm products at the farm gate are derived from consumer purchases at retail, after being transmitted back to farmers through the marketing system. Chapter 2 discusses the main forces determining consumer demand for farm products, and then indicates the probable pattern of change in demand for farm products over the next two decades. Our purpose is to predict the probable direction and approximate amount of expected shifts in the pattern of demand far enough in advance so that appropriate adjustments in production and marketing can get under way within the industry. Shifting patterns of demand are signals calling for modifications in the quantities, qualities, and kinds of commodities being produced.

We expect the population of Ontario to increase by 40 per cent by 1980, and income per person to increase by 31 per cent. As their incomes rise, people tend to buy more of some foods and less of others, but the total quantity of food consumed per person does not change much.

Substantial increases in consumption per person of meat (especially beef), poultry meat, fruit (especially processed fruit), ice cream, and cheese are forecast. A medium increase is forecast for concentrated milk products, peaches, pork and tobacco. A small increase is forecast for eggs, apples, and grapes. No change, or almost no change, is forecast for oils and fats, dairy products as a whole, vegetables as a whole, tomatoes, fish, and sugar. A small decline is forecast for fluid milk. Substantial declines are forecast for cereal products, potatoes, butter, and pulses (edible legume seeds) and nuts.

This changing diet is a more expensive one because it has more farming and marketing resources embodied in it. The strength of the trend depends largely upon employment and incomes.

Food being a necessity, total sales do not respond rapidly to changing prices. The sales of particular foods produced by Ontario farmers are usually sensitive to price changes, however, because of competition from substitutes and from other producing areas.

Chapter 3 - Trends in Marketing

Farmers generally have found the selling of their products to be a risky business. What is needed is a system of marketing that will guide farmers in producing the quantity and quality of products wanted by consumers, that will process and distribute these products efficiently, and that will pay all parties concerned fairly for their contributions.

Chapter 3 deals briefly with the main trends in marketing farm products in Ontario. For further details, please turn to Chapters 7 to 10, and 14.

With rising consumer incomes, the demand for food services has been increasing faster than for food itself.

The Stewart Commission found that, in general, the farm-retail price spread widened, and the farmer's share became smaller, during the decade 1949 to 1958. Two general explanations for these trends were given: (1) Increasing consumer incomes and demand were pulling retail prices up while increased productivity and supplies were pushing farm prices down. (2) Food marketing services, and the prices for these services, were increasing.

Another trend in food marketing has been mushrooming shopping centres and chain supermarkets catering to mobile shoppers.

The food processing, wholesaling and retailing industries have been becoming more concentrated. In general, increased concentration in food processing and distribution makes it seem more uncertain that there will be active price competition for the farmer's products or that any gains from increased efficiency will be passed back to, or retained by, the producer.

Under these circumstances, it was to be expected that the many small independent producers would band together in some form of collective bargaining. Voluntary co-operative marketing and compulsory board marketing are studied in Chapter 9.

Traditionally, producer, processing and distributing groups have organized themselves "horizontally", with each group facing each other in a climate of conflict. Ontario agriculture stands on the threshold of breakthroughs into new marketing philosophies and institutions. The need is urgent for closer vertical co-ordination among successive links in the chain from producer through to consumer.

Cost-reducing improvements in marketing often go hand in hand with improvements in farming. Agricultural production and marketing must keep changing to keep in step with the changing pattern of demand. As co-ordinator of production and marketing policies, the Ontario government can influence the pattern of development.

Finally, we noted a prominent trend toward increasing imports of food products into Ontario, and asked why Ontario farmers are losing out in our home markets.

Chapter 4 - Trends in Farming

It is not generally realized that Ontario is the most important agricultural producing province in Canada. Parts of Ontario, particularly the south-western counties north of Lake Erie, are generously endowed with a warm summer climate, fertile soils and favourable topography, and Ontario itself offers large and expanding markets for farm products.

Industrialization and the rapid growth of population, while the farm population has been declining, have reduced the proportion of Ontario people living on farms to about 10 per cent in 1961. The trend in Ontario, as in most other provinces, is toward fewer, larger and more specialized family farms.

Cultivation is gradually converging on the better land and this better land is being farmed more intensively. In general, more live stock, machinery and fertilizer are being combined with better land to produce more and better food for a growing population.

The competitiveness of Ontario agriculture hinges upon the utmost use of the latest technology. The initial benefits go mainly to the first farmers to

adjust, and the long-run benefits go mainly to the general public in the form of lower prices.

Even if attention is confined to the so-called commercial farms, there is considerable inequality in incomes. In addition, there are many thousands of submarginal farms with very low incomes. On the average, farm incomes in Ontario are well below non-farm incomes.

Continuing economic change and increasing research mean that the technological revolution in farming has by no means run its course. Thousands of Ontario farmers are being rendered obsolete and surplus every year. Farmers who were doing well a few years ago, but who have failed to adjust their methods since, are in trouble today, and farmers who are doing well today will be in trouble a few years from now if they fail to adjust in the meantime. The problem is how to help farmers to adjust and how to help out farmers who fail to adjust.

Chapter 5 - The Central Problem and Remedy Emerge

In the preceding chapters on trends in demand, marketing, and farming several problems were exposed.

In the long run, consumer tastes change (with rising incomes and for other reasons) and nutritional sources shift. Unless Ontario agriculture takes account of these shifts, in planning where to push expansion and where not to, it will become increasingly maladjusted.

The demand for particular Ontario farm products is more elastic than for food in general. It is usually in the interest of Ontario producers therefore to actively compete in price and quality with rival sources of supply in Ontario markets, in which our producers have the distinct advantage of a short haul.

With the remarkable advance of agricultural science and technology in recent years, numerous ways have become available to farmers to make them less at the mercy of the whims of nature than formerly, and to enable them to improve and control the quality of their products. Only a minority of farmers has been able or willing, however, to make the substantial adjustments in their ways of doing things required by the new technology. Adjustment sometimes calls for leaving farming altogether - this is the culling process of technological change.

Family farms are not disappearing, but they are becoming fewer and larger and more specialized - and so are farm suppliers and the buyers of farm products. With fewer and larger business units at all levels of the agricultural industry, it becomes feasible to reduce the various uncertainties and complexities that existed when many thousands of independent decision-making units existed. A closer managerial and financial co-ordination of the supplying, farming and marketing sectors of the agricultural industry is taking place and will probably continue at an accelerated pace. Prosperity will elude producers who rely on hit-and-miss marketing.

We find that agricultural policies, both of government and farm organizations, are confused and conflicting. Some are forward-looking but many are futile rearguard actions, desperately resisting the inevitable or drifting aimlessly.

We have become convinced that the underlying problem common to almost all major farm problems is INSECURITY, and that the basic solution to almost all of these problems is ADJUSTMENT. The basic or central problem and remedy are very complex, as we demonstrate in Part II of the Report. The central problem and the central remedy are human as well as economic in nature, and all sectors of the agricultural industry in Ontario are somehow involved.

Chapter 6 - Our Guiding Principles

We became convinced at an early stage of our work that we would need to agree among ourselves upon a set of general principles for guiding our judgments on specific issues. We have set these guiding principles down, along with brief explanations, in Chapter 6 to help show our readers how we have reached various conclusions and recommendations in our Report.

Our guiding principles, in summary form, are: (Please refer to Chapter 6 for explanations.)

1. Relevancy.
2. Need for continuous study.
3. Economic interdependence.
4. Self-help.
5. Minority rights.
6. Collective action.
7. Government responsibility for delegated powers.
8. Consumer sovereignty.
9. Efficiency.
10. Stability.
11. Regional interdependence.
12. Family farming.
13. Full employment.
14. Social equity.
15. Harmony of interests.
16. Individual freedom.

PART II - COMPONENTS OF THE PROBLEM

Chapter 7 - Marketing Functions and Aids

We begin by accepting the viewpoint that the satisfaction of consumer wants is the purpose of economic activity.

"Marketing" refers to the activities involved in the flow of goods and services from producers to consumers. In our changing economy, however, production and marketing decisions and problems are inseparable.

We have found it helpful to think of the functions of agricultural marketing as: buying (including assembling) and selling (including merchandising), transporting through space as well as time (storage); and transforming (processing). To facilitate the profitable performance of the primary marketing functions, there are available several auxiliary tools or aids, such as research, marketing information, quality control and product improvement, refrigeration, materials handling, packaging, progressive business practice, business integration, credit, consumer preference studies, and advertising. These aids to marketing are discussed in detail in Chapter 7 under three product group headings - dairy products; meats, poultry and eggs; and fruits and vegetables.

Ontario farmers have the advantage of a short haul for a large and expanding home market. Most of what is produced on Ontario farms is consumed within the province. Ontario farm products are encountering increasingly stiff competition in domestic and overseas markets. A critical examination of the kinds and quality of Ontario farm products is required in the light of changing consumer wants and marketing methods.

Food marketing is a race against spoilage, which is a cost in marketing as is the prevention of spoilage. Quality control and new product development have become indispensable aids to marketing in recent years. The recognition, measurement, control and improvement of quality are important to farmers, processors and distributors if they are to serve consumers well and profitably.

The first step is to gauge consumer preferences. These preferences have to be related to recognizable or testable features of the product. Then appropriate grade standards have to be drawn up for the guidance of consumers, producers, and the trade, and for inspection and enforcement.

The maintenance of better food quality during marketing has been made possible by improvements in initial quality and by developments in processing, storage, handling and transportation.

Regardless of how little or how much marketing is performed by individual farmers, they have a vital economic interest in what takes place because the pattern of flow, saleability, and prices of farm products are affected. Producers and producer groups, and the Department of Agriculture which serves them, can only gain from acquiring more intimate knowledge of the food and agriculture industry beyond the point of first sale. We consider this to be important.

Keener competition and higher standards of quality are trends of the times. Better products may cost more, but not to improve our products might cost us our markets altogether.

Our recommendations on the subject matter of Chapter 7 follow:

1. we recommend that producer and marketing groups jointly sponsor research in consumer preferences for their products. The Department of Agriculture should give encouragement and leadership through the Research Institute proposed in Chapter 13.
2. Consumer tastes and nutritional sources change. Accordingly, we recommend that grade standards be re-appraised and revised as necessary to keep them up to date with consumer preferences.
3. we recommend that encouragement be given to introducing more objective grading tests to reduce the reliance on variable human judgment.
4. we recommend that wherever possible inspection should be in force at all major links in the chain from the farm through to the consumer level. Inspection personnel should be free from conflicting responsibilities.
5. we believe that joint producer-trade action would be very effective in improving the quality of farm products, and we so recommend. (See Chapter 9.)
6. Increasing vigilance is needed to protect the public from harmful residues and additives in foods. We recommend that the Ontario government encourage federal efforts to expand the good work of the Food and Drug Directorate.
7. we recommend that periodic review be made by the Ontario Departments of Health and Agriculture of what health and quality standards are required in dairy products in order for them to meet increased competition from other foods. Although this is a general recommendation for dairy products, butter obviously is in greatest peril.
8. A good quality product cannot be made out of an inferior raw material. It is poor business for some dairymen to allow milk from their cows to deteriorate due to careless milking and handling. We recommend that the long-range quality target at the farm level be to advance more rapidly toward a better and more uniform level of quality and inspection of raw milk for all purposes. The present pricing and inspection systems for fluid milk and other milk products have had a detrimental effect on the quality of some dairy products. The pricing system which we are recommending in Chapter 8 should help to raise and standardize milk quality.
9. we recommend that federal grading and standards of plant inspection set a minimum for all live stock, meat, poultry meat, eggs, and slaughtering

and processing facilities in Ontario.

10. we recommend co-ordinated (not necessarily central) packing to fruit and vegetable producers as a means of quickly raising produce quality and of assuring large-scale buyers a more uniform supply.

Chapter 8 - Market Structures and Price Making

In Chapter 8 we examined the market structures of the main groups of farm products and of some important individual products produced in Ontario, and described the process by which prices seem to be determined in these markets. We began at the retail level with the supermarket chains because demand at the farm level is derived from the demand of consumers at retail, and because the supermarket chain is probably the most influential business unit in food marketing today.

We found that horizontal and vertical integration in food retailing and wholesaling have been increasing in Ontario. One or two large chains have extended their influence into processing and even farming. With rising personal incomes and increasing concentration, price competition in food retailing appears to have been displaced by other forms of competition, such as associated services, as a primary means of drawing customers. We may be entering a period of increasing price competition in food retailing, however, which could be to the benefit of consumers but could lead to increased pressure on farm prices.

Meanwhile, low supply prices appear to be less important to the chains than assured, large-volume supplies of uniform quality - always providing that a rival chain does not get its supplies for advertised specials at a lower price. The importance to producers of orderly selling is obvious.

The increasing size of chains and their preference for dealing centrally with a few, large, reliable suppliers has encouraged the expansion and merger of suppliers, including co-operatives. Chain buying has encouraged counter-vailing, central-desk selling by the producers of some products. The tendency toward direct supplier-chain arrangements reduces the representativeness of wholesale prices and may increase their instability.

The large price differential between fluid milk and milk for other uses cannot be maintained indefinitely. The existing milk marketing structure in Ontario is in danger of breaking down, unless obsolete legislation and institutions receive an early overhauling in order to bring them into line with existing technology and competition. There is an urgent need to integrate the rest of Ontario's dairy industry with the fluid milk branch for marketing, pricing, and quality purposes.

Hogs and cattle together account for considerably more farm income in Ontario than do dairy products. In Chapter 8, we discussed various price-making forces in the markets for hogs and cattle, pork and beef, and gave special attention to community live stock auctions.

Hogs and cattle are plagued by recurrent cycles of over-production and under-production which are very wasteful. What is required is an improved system of price forecasting, or even forward pricing, which could serve as a basis for producer and processor planning and government policy. A concerted attack on this cycle problem by all interested parties could greatly reduce its destructive force.

Poultry and egg production are becoming separate, large and highly specialized operations. Part of the producing sector of the industry is integrated with the hatchery, feed, processing, and grading sectors. Further integration in the poultry and egg industries can be expected because of economies of scale and the advantages of assured supplies, markets, and uniform quality.

We recalled from Chapter 7 that quality control and containers are problems in the fruit and vegetable industry. For purposes of studying price-making processes in the fruit and vegetable industry we considered fresh and processed markets separately. The importance of orderly marketings of fresh produce is great, but there are also great difficulties confronting effective collective action by growers.

In processed fruit and vegetable markets, our main concern is for the future of production for processing in Ontario in the face of mounting imports.

Our recommendations arising out of Chapter 8 are as follows:

1. The various sectors of the agricultural industry in Ontario, through the vertical commodity marketing associations and Agricultural Industry Board, proposed in Chapter 8, should cooperate to increase knowledge, efficiency and security in marketing. Producers and producer groups have more to gain than to lose from coming to terms with the requirements of supermarket chains for large, reliable supplies of uniform quality and uniform prices. Forward pricing is one of the tools available to the agricultural industry for jointly accomplishing greater security in marketing.
2. A better-integrated, more uniform and fuller reporting of sales and prices in the various farm product markets is urgently needed. The responsibility for seeing that this service is performed lies with the Ontario Department of Agriculture.
3. We recommend that the collection of all milk from farms, the negotiating of all milk prices with the various branches of the industry, and the payment of blended prices to grade "A" and "B" milk shippers be undertaken as soon as possible, and in stages if necessary, by a province-wide producer milk marketing board, along the lines indicated in Chapter 8.
4. We recommend as an essential step to province-wide milk marketing that all milk shippers be classified as grade "A" or "B", which would involve inspection as recommended in Chapter 8.
5. The various interest groups involved in producing and marketing hogs and pork products should pool their knowledge and set up a statistical service providing outlook estimates of hog numbers and prices in order to reduce the wide-spread vagaries of the hog cycle. The same should be done by local producing and marketing interests.
6. In view of the increased volume of sales at community live stock auctions, which may endanger live stock quality, we recommend that improved standards to prevent overcrowding, and of separation of healthy and diseased animals, be inserted in the Regulations for enforcement under the Live Stock Community Sales Act. We are confident that improved standards can be formulated by veterinarians and agricultural engineers.
7. The security of sellers and buyers at community live stock auctions could be increased by the following two suggestions which we are recommending be given early study by the Department of Agriculture:
 - (a) That the consignor's name be announced before commencement of bidding.
 - (b) That more formal arrangements be made for the weighing of animals, and that weigh scales be checked more frequently.
8. More fresh fruits and vegetables should be handled, bulked and shipped, and sold collectively with central processing and marketing, and less should be sold individually on the open market.
9. In view of the increasing importance of variety and quality in fruits for modern processing, and the need for planned expansion, growers of

fruit for processing and processors should study the feasibility of negotiating long-term contracts. Prices could be negotiated (through the medium of the vertical marketing associations proposed in Chapter 9) early in each season and related in a sliding-scale fashion to yields.

Chapter 9 - Marketing Farm Products

Some of the main difficulties encountered by Ontario farmers in marketing their products result from their individual inability to assess market conditions and prospects properly, and from their individual weakness in dealing with the few large buyers of their products. It seems to us, therefore, that the right approach to reducing market uncertainty and to improving the farmer's income position lies in farmers taking a much more active part in processing and distributing their products, in greater unity of action among themselves, and in closer liaison with the rest of the industry. Revolutionary changes in retailing and technology demand greater co-ordination between agricultural production and marketing in a fresh, forward-looking way.

In Chapter 9, we discussed three ways currently available in which farmers may increase their security in marketing - marketing co-operatives, marketing boards, and contracting. The advantages and disadvantages of these systems were discussed at length, and we concluded that each will continue to receive support. In addition, large corporate farms may integrate the production and marketing of products for which mass production operations are possible. No one system will flourish to the exclusion of all others, and no system can hope to succeed if it is antagonistic to the interests of a substantial segment of society.

The conflict between co-operatives and marketing boards stems from the voluntary nature of co-operatives and the compulsory nature of marketing boards, and from both trying to serve the same group of producers. This conflict can only be resolved by drawing a sharper line between those areas that are more suited to co-operatives and those that are more suited to marketing boards.

The individual farmer can play the most active part in marketing his product under co-operative marketing, a less active part under marketing boards, and a still less active part under contracting. There is much to be said for co-operative marketing although it can have little direct effect on price. Co-operatives attempt to provide their members with more efficient marketing, and a sound basis for integrating forward with little interference with the traditional resource-allocating function of market prices.

The main objective of marketing boards is to secure enough collective bargaining power directly to raise prices by negotiation, by restricting supply, or by actually selling the product on behalf of all of the producers. (For other objectives see section (c) of Chapter 9.) Marketing boards may raise price temporarily, but this is unlikely to last. In the long run higher prices can only be sustained by some form of production control, and only then if the control extends to substitute products and to competing products from rival producing provinces, along with tariff barriers against imports.

Contracting can reduce market insecurity, to the mutual benefit of the contracting parties. If farmers cannot cope with vertical integration and contracting individually, then they should get into it themselves collectively.

In the past, commodity producing and marketing groups have tended to organize themselves horizontally, facing one another in a stultifying climate of conflict. There is much work to be done, and benefits to be gained, by closer vertical association of the various links in a commodity chain, from the producer right through to the consumer. The activities proposed for vertical commodity marketing associations would need to be co-ordinated within a forward-looking framework of adjustment by an Ontario Agricultural Industry Board. The Ontario Farm Products Marketing Board would continue operating as a branch of the government, but with reduced powers. Sections (c), (g), (h) and (i) of Chapter

9 contain lists of our proposed activities of local commodity marketing boards, vertical marketing associations, the Industry Board, and the new Farm Products Marketing Board.

Our further recommendations are as follows:

1. Only in exceptional circumstances should local marketing boards be permitted to acquire substantial processing facilities, or engage in compulsory selling. Price should be the only basis for allocating sales.
2. No producer should ever be subject to the jurisdiction of any marketing board who is not eligible to vote for or against it.
3. Co-operative marketing should be encouraged. Co-operatives have proven their worth to society. Co-operatives should be permitted a high degree of self-determination in marketing. Members of co-operatives cannot be exonerated automatically from the compulsory assembly powers and service charges of a local marketing board, but the Agricultural Industry Board should have power to exempt a co-operative from compulsory board assembly and service charges if they can be shown to be causing serious harm to the co-operative.
4. The new Co-operatives Branch of the Ontario Department of Agriculture should promote and strengthen the co-operative movement in the province. This Branch should undertake the following duties:
 - (a) Examine proposals for the formation of new co-operatives and amalgamation or expansion of existing co-operatives, and give advice on the feasibility and soundness of these plans.
 - (b) Offer general guidance in the operation of co-operatives, encourage the use of efficient methods, encourage the use of uniform operating procedures, and administer the Ontario Co-operative Loans Act.
 - (c) In close liaison with the federal co-operatives section, compile adequate statistical information on co-operative activities in Ontario.
 - (d) Investigate, on request, any irregularities or special problems reported by co-operatives.
 - (e) Perform a moderate public relations function on behalf of co-operatives including the distribution of information for stimulating interest in co-operation.
5. Selling agencies controlled by marketing boards should not be permitted to use the name "co-operative", since it is a misuse of the word.
6. Co-operatives should set the pace in contracting, and farm organizations should keep farmers well informed as to favourable types of contracts and types to be avoided.
7. We recommend that the Ontario government prepare and pass fundamental marketing legislation embodied in an Agricultural (Production and Marketing) Adjustment Act. Within the philosophy and terms of The Adjustment Act barriers and impediments to the continuous and more rapid adjustment of Ontario agricultural production and marketing to market trends should be removed, and more specifically with respect to marketing:
 - (a) Renaming the Department of Agriculture, the Department of Food and Agriculture (Chapter 13),

- (b) Enabling the delegation of specific, limited powers of the kind listed in Chapter 9 to vertical commodity marketing associations,
 - (c) Enabling the delegation of general co-ordinating powers of the kind listed in Chapter 9 to an Agricultural Industry Board, and
 - (d) Revising the Farm Products Marketing Act so as to limit the powers of the Farm Products Marketing Board to those listed in Chapter 9, and to extend the Board's jurisdiction to include milk and milk products.
8. Much more attention and funds should be devoted separately and jointly by the various branches of the agricultural industry to marketing research which has lagged seriously behind production research. The Ontario government should give encouragement and leadership to this marketing research through the Agricultural Research Institute proposed in Chapter 13. The research should be along both general and specific lines.

Chapter 10 - Transportation Problem Areas

Transportation costs usually account for an important part of the final price of farm products. Efficiency in transportation therefore is of concern to the agricultural industry in Ontario.

Transportation in Canada has long been considered as so vested with the public interest as to require careful supervision, and even participation, by government. Federal policy has decreed that it would not be in the interest of national unity for the railways always to "charge what the traffic will bear", and so lower rates have been set for many commodities. National policy has also sought to keep rail rates on long-distance traffic lower than on short hauls. The railways have tried to offset their losses on regulated long hauls by profits on unregulated traffic. Being centrally located in Canada, with generally shorter hauls, Ontario producers frequently have been caught in the middle on such arrangements.

The role of railways as a "chosen instrument" of national unity is becoming increasingly questionable. A strong argument can be made for releasing the railways from at least part of this burdensome responsibility, and permitting them greater freedom to operate competitively with highway and seaway transport.

The demand for fast, flexible, and economical transportation over short distances has favoured the growth of trucking. Most of Ontario farm products move to market by truck.

The increased competition and services provided by trucking have benefited Ontario. Railways and trucks each offer their own special advantages, and each mode of transport has something to learn from the other.

The record of savings by reorganization in milk collection and retail distribution in Britain is very good. It does not follow automatically that equally great opportunities for savings exist in Ontario. This is something that warrants more careful study by the proposed provincial milk marketing board and the proposed vertical milk marketing association.

The spirit of Section 16 of the Milk Industry Act of 1957 seems to be that milk producers should be considered as hauling their own milk when doing it co-operatively. If this is the public intention, then there is little reason to compensate P.C.V. truckers for "goodwill" when they are bought out, or forced out, by trucking co-operatives.

There has been a tendency for the production and slaughtering of live stock to expand faster in Western Canada than in Ontario. This has been strengthened by the decline in 1959 in freight rates on dressed meat. Existing and anticipated improvements in the trucking of live stock may be expected to

force rail rates down on live stock too.

Federal feed grain freight assistance was designed to increase meat production in Eastern Canada during World War II when product prices were controlled. The disadvantage of the subsidy to Ontario grain growers seems to be far outweighed by the benefits to Ontario live stock feeders.

Irregularities in hog trucking were corrected in 1953 when the Hog Marketing Board assumed responsibility for the settlement of all payments to producers. The efficiency of the present system of assembling hogs is sufficiently in doubt to warrant a thorough study.

The growing of fruit and vegetables in Ontario usually takes place so close to markets that the control of quality and rate of marketings is very difficult. Much of this produce moves to Ontario markets by truck, increasing amounts are moving longer distances by truck also.

Our recommendations on the transportation problem areas of Chapter 10 are:

1. The principle and procedure are unclear governing appeals by shippers for a more favourable rail rate or improved service. We recommend that the Board of Transport Commissioners and the railways be asked to streamline the handling of such requests.
2. Rather than risk stifling rail-truck competition by federal regulation of trucking, we recommend that the federal government be asked to relax some of its controls over railways to enable them to compete more freely with highway transport.
3. The licensing and regulation of trucking by the provinces should continue but should be standardized by federal-provincial agreement for the Trans-Canada highway.
4. We recommend that truckers' organizations be consulted by marketing boards concerning transportation regulations made or to be made by boards. This consultation would be assured by the implementation of our recommendation for vertical marketing associations.
5. We recommend that the P.O.V. exemption for co-operative hauling in Section 16 of the Milk Industry Act be amended as follows:
The words "that more than three-quarters of the shareholders or members of the corporation are producers supplying milk to a plant" be replaced by the words "that all of the shareholders or members of the corporation are producers supplying milk to a market".
6. We recommend that an economic study be made of hog assembling by an independent agency, along the lines set forth in section (h) of Chapter 10 in order to determine if substantial savings can be made. Regard must be had in the study for probable changes in location of packing plants.

Chapter 11 - Farm Incomes, Management, Supply Control, etc.

Chapter 11 deals more fully with some subjects which were introduced in Chapter 4 - farm incomes, productivity, farm management, credit, extension, family farming, and supply control.

The farm population in Ontario has been decreasing while farm production has been increasing. By 1980, only about six or seven per cent of Ontario's population will be living on farms.

Ontario farm people, unless they have substantial off-farm incomes, have a much lower average level of living than non-farm people.

Ontario agriculture is primarily oriented toward live stock production. Income from live stock is relatively stable, particularly from dairying.

The importance of agriculture in Ontario varies a great deal from region to region. South-western Ontario north of Lake Erie accounts for about 73 per cent of Ontario's net farm income.

The distribution of incomes among farms also is very unequal. There are thousands of low-income farms at one extreme, and there are hundreds of farms that are returning a very satisfactory living to their farm families at the other extreme.

The output per farm worker has increased rapidly since World War II because of the substitution of more productive capital, such as machinery, for labour.

Because basic economic conditions and the pattern of demand keep changing, the need for adjustment in farming is continuous. The adjustment and income records depend a great deal on the managerial capacity of the farmer - on his ability to see or understand quickly what changes are needed, and then to carry them out.

Increased adjustment-oriented research in farm management is needed. Farm management extension can help the farmer to analyse his adjustment needs. Farm credit can help him make the needed adjustments. If adjustment calls for leaving farming, a Rural Development program can help. Provision should be made for all of these in the Agricultural (Production and Marketing) Adjustment Act proposed in Chapter 13.

Modern farm management extension involves providing the information needed for understanding a wider range of alternatives open to the farmer and showing him how to analyse which of these adjustment alternatives is most likely to achieve the socio-economic goals desired by the farmer. The agricultural representative of the future would be a farm management generalist (adjustment advisor or socio-economic integrator), with regional agricultural specialists on call.

Family farming will continue for the foreseeable future to remain the predominant form of farming in Ontario. In view of the large and rapidly increasing amount of capital required to finance an economic family farm, however, increasing resort may be had in future to capital sharing. Our definition of a "family farm" is a farm on which most of the labour and management are provided by the farmer and his family and which returns to the family a level of living considered acceptable by them and the community at large. The business of family farming is to earn a decent living for the farm family, and farm women play a vital role as partners with their husbands in this effort.

Two types of farms in Ontario are producing more than their share of farming sons - those with a large volume of farm business and high level of living, and those with a small volume of farm business and a low level of living. These tendencies could lead to an increasingly wide gap between richer and poorer farms. There is a great need for increased formal education of farm children, especially technical training, and also for more short courses stressing farm business management.

Supply control, if it included most products and most farmers in Canada, could raise farm incomes in Ontario, initially at least. It would pose formidable administrative problems and would meet with a hostile public unless administered governmentally to protect the public interest. It would tend to freeze the present pattern of farming unless the quotas were negotiable. Negotiable quotas would speed up the trend to fewer and larger farms. Ontario is deficit in most farm products; so supply control would be inappropriate. A better way than supply control to raise farm incomes in Ontario would seem to be for fewer and larger farms in the province to supply an increasing share of the expanding market.

Our recommendations from Chapter 11 are:

1. We recommend that the Department of Agriculture make representations to the Commission on Statistics that certain Census definitions such as "farm", "commercial farm" and "milk cow" be revised to give them a more realistic and useful meaning.
2. We recommend that government adopt a definition for "family farms" that places more emphasis on the ability of the farm to earn a decent level of living for the farm family. We have explained our definition in Chapter 11.
3. We recommend that the Department of Agriculture place increasing stress in its production research, extension and information work upon farm business management as a major solution for low farm incomes of those people remaining in farming, and upon educating farmers concerning the available sources of information on better farming where short courses are needed.
4. We recommend that the Department of Agriculture make representation to credit agencies operating in the province to tie their credit more to income-returning adjustments on farms (that can provide acceptable standards of living, and more to rural development for submarginal farms.
5. It is impossible to make farming profitable for all farmers presently operating. It is the responsibility of the provincial and federal governments to see that agricultural programs operating in Ontario do not interfere with the adjustment trend to fewer and larger family farms.
6. There is a great need for increased formal education of farm children, especially technical training.
7. In view of the overwhelming importance of live stock farming in Ontario, we urge the Department of Agriculture to promote, in every way possible, greater efficiency in live stock production and marketing in order to improve Ontario's competitiveness in this area.
8. Supply control would not work on a provincial basis, except for one or two farm products grown almost exclusively in Ontario. We doubt if supply control on a national basis would work to the advantage of Ontario farmers because of the problems of allocating quotas across Canada. A key recommendation of our Report is, rather, that Ontario agricultural production should INCREASE and capture a larger share of Ontario's expanding market, as explained in Chapter 14 and elsewhere in the Report.

Chapter 12 - Regional Contrasts, Southern and Northern Ontario Prospects

A. Metropolitan Markets in Southern Ontario

An increasing number and proportion of Ontario people are living in large towns and cities. The incomes of urban people are likely to remain higher than the Ontario average, which means that more than 75 per cent of the purchasing power of Ontario people in 1980 may be wielded by people living in cities of over 40,000.

In part A of Chapter 12 we are interested in the impact upon agricultural production and marketing in Ontario which expanding metropolitan markets are having, and are likely to have in the next few decades.

Metropolitan markets act as focal points for price-determining forces, and also dominate advertising, packaging, new product development, and other aspects of modern marketing. The shopping centre and supermarket, which have had so profound an impact on food marketing, were developed to service the integrated residential subdivisions of the modern metropolis. With the trend to urban

living are associated numerous changes in the food habits of consumers.

Nearness to growing markets has become as important as soil fertility and climate in determining changes in location and type of farming.

Urban sprawl into rural areas has been accompanied by a demand for services which means much higher taxes for local farmers. The threat of such tax increases can force unsubdivided farmland into speculative idleness or short-sighted exploitation. Land-use planning by large metropolitan areas could provide hinterland farmers with more certain tenure of land, better conservation of soil and water, and better knowledge of market trends, thus enabling them to plan their operations on a more efficient basis.

1. We recommend that the Departments of Commerce and Development, Agriculture, Municipal Affairs, and Lands and Forests, along with any other appropriate branches of the Ontario government, be given every encouragement by Cabinet and Legislature to work closely together on a continuous basis in the field of integrated rural-urban resource-use planning.
2. We recommend that a thorough study be undertaken by appropriate technical personnel of (a) the effects of urban growth upon the health and productivity of Ontario people, (b) the direct and indirect costs of suburban services borne by farmers and others, and (c) resource-use planning on a provincial scale, including the equitable implementation of zoning.
3. Providing adequate control is retained by the legislature to safeguard local interests, we recommend that encouragement be given to regional planning boards to extend planning over metropolitan areas and larger rural hinterlands. Generous amounts of land should be reserved for special crops and recreational use, and increased efforts should be made to prevent the pollution of lakes and rivers by industrial and residential wastes from communities of all sizes.

B. Agriculture in Northern Ontario

The first step to understanding the Northern Ontario economy is to realize its diversity.

In general, Northern Ontario soils are neither well-drained nor fertile. Growing seasons are short and the climate in general is humid. Transportation costs remain a dominant factor. Northern Ontario lacks the numerous large and expanding markets which brighten the future of agriculture in Southern Ontario. Very little processing of food is done in Northern Ontario. Increasingly, consumers in the North are buying mass-processed and pre-packaged foods, and local farmers find themselves out of step with new market conditions.

The economic suitability of Northern Ontario for farming has been sadly over-estimated. Natural forestry use of the land is the most advantageous over much of the region. Agriculture in Northern Ontario is in a continuing process of adjustment from relatively unattractive on-farm opportunities to relatively attractive off-farm opportunities. Government at all three levels is morally committed to assist in this adjustment process.

1. In formulating policy recommendations, we feel that the first, and most important decision to make is whether existing agriculture should be encouraged or discouraged in Northern Ontario. We recommend that encouragement be given only to those farmers, in those localities, and in those products, for which the future is likely to provide a decent level of living - otherwise farming should be discouraged.
2. There is a great need for knowledge about the localities in Northern Ontario where agricultural prospects are favourable and where they are unfavourable. It is too simple to suppose that soil which is good enough

for farming should be in farming. We recommend that a combined soil-and-market study be made to provide a basis for a long-range plan for the profitable use of land, water, forest, fish and game, and human resources.

3. We recommend that legislation affecting Northern Ontario agriculture be consolidated and up-dated within a forward-looking, resource-adjustment framework.
4. We are recommending a Rural Development approach to the adjustment of Northern Ontario agriculture. (Chapter 14). This will require close partnership between the federal government and several Ontario departments. The Northern Ontario extension man should be a "resource representative" or socio-economic adjutor. (Chapters 11 and 13). A regional director of resource representatives should be located in Northern Ontario, and he should report to an inter-governmental, inter-departmental committee. Because of the great distances, government personnel should be provided with air transportation where feasible.
5. The Extension Branch now combines applied research with extension in Northern Ontario by assisting certain co-operating farmers to reorganize and try new practices. We recommend that this program be continued, but on a more formal basis with accurate records being kept and published annually.
6. Most Northern Ontario farmers are intimidated by the thought of travelling to Southern Ontario or farther to buy live stock. We recommend that suitable personnel of the Department of Agriculture be empowered to act as live stock buying agents when requested.
7. We recommend that the Demonstrator Farm at New Liskeard function as a North-eastern Ontario regional centre for experimental work on farm products and practices, as a distributing centre for breeding live stock, and as a base for farm management extension.
8. Manitoulin farmers requested that elevator facilities be built at Little Current. We recommend, instead, that the government encourage co-operative or private enterprise to unload annually a winter storage cargo (in an Upper Lakes vessel) of feed grain in Little Current.
9. Quality potatoes can be produced in certain parts of Northern Ontario. We recommend that ways be studied of encouraging the production of potatoes in these localities and of modernizing the storage and distribution of potatoes in nearby northern markets.
10. We recommend that the government study the feasibility of establishing provincial pastures, and subsidies for good beef bulls, in certain areas of Northern Ontario such as the Little Clay Belt and Rainy River.
11. The practical pattern of farming operation in many parts of Northern Ontario is part-time, small-scale farming along with winter work in the woods. It is time to recognize this in policy. Recognition might take the form of making available farm-forest units of about 600 acres, part of which would be cultivated, but the major part would be forest-farmed. We recommend the establishment of a standing committee of officials of the Ontario Departments of Agriculture and Lands and Forests to study how to establish large leasehold or freehold units for combined farm-forestry operations.
12. We recommend that pulpwood marketing in Northern Ontario be studied jointly by the Departments of Agriculture and Lands and Forests to see whether farmer producers need a pulpwood marketing board.
13. Seasonal off-farm work by farmers in Northern Ontario is frequently necessary to earn a living. We recommend that the Ontario government make representations to the federal government that such off-farm work should

not automatically disqualify an applicant for farm credit.

14. A transportation subsidy might be helpful, but a blanket subsidy on all farm products would just make it easier for farm products from outside to sell in Northern Ontario markets. A subsidy on fertilizer, however, would help both in increasing yields and reducing the autumn frost hazard. A transport subsidy on feeder cattle and table potatoes might also be appropriate. We recommend that for a limited adjustment period specific transportation subsidies such as these be given consideration.
15. We received several requests in Northern Ontario for more agricultural education. Agricultural short courses throughout the north, or a scholarship program, were suggested by producers at Temiskaming, Rainy River, Manitoulin, Nipissing and Sudbury. We recommend that a mobile adult education program for northern farmers be set up, and that it be operated in close liaison with the Rural Development adjustment program in recommendation 4.

Chapter 13 - Departmental Organization and The Agricultural Adjustment Act

The nature of Chapter 13 is such that most of it is recommendation; the following brief summary therefore covers only the main recommendations.

We have considered Department organization from the viewpoint of recommending a Departmental structure favourable for implementing the philosophy and key recommendations contained in our Report.

The Ontario Department of Agriculture has three responsibilities: to promote the welfare and prosperity of farm people, to serve agricultural interests, and to develop and improve Ontario agriculture through science and an appreciation of the needs of Canada and the world for food.

The trend is to fewer and larger family farms. Production and marketing decisions are inseparable. "Agriculture" includes businesses marketing farm products and supplying goods and services to farmers as well as farming itself. There is a glaring need for vertical accommodation throughout Ontario agriculture to trends in demand.

Within the context of Chapter 13 and of the Report as a whole, our study of the proper responsibilities of the Ontario Department of Agriculture makes it clear that minor adjustments of the present set-up will not be good enough. We recommend that the Government of Ontario prepare and enact an Agricultural (Production and Marketing) Adjustment Act, along the lines recommended in Chapters 9 and 13 and the leading features of which should be:

- (a) Changing the name of the Department of Agriculture to the "Department of Food and Agriculture".
- (b) Delegating specific limited powers to vertical commodity marketing associations as listed in Chapter 9.
- (c) Delegating general co-ordinating powers to the Agricultural Industry Board as listed in Chapter 9.
- (d) Delegating specific and more limited powers to the Farm Products Marketing Board, including responsibility for the powers which it in turn delegates to local producer boards, and covering all farm products including milk, as listed in Chapter 9.
- (e) Provide for increased adjustment-oriented research in farm management, farm management extension, and farm credit, as urged in Chapter 11.
- (f) Provide the framework for Ontario's participation in a federal-provincial-municipal program of Rural Development, as recommended in

Chapter 14.

- (g) Provide for changes in the organization of the Department along the broad lines set forth in Chapter 13, including mainly -
- (i) federating the colleges and institutes at Guelph into a university supported through the Department of Agriculture and administered by a board of governors appointed by the Minister of Agriculture,
 - (ii) retaining Departmental policy and administration, regulation and inspection at Toronto, but
 - (iii) directing research, education and extension from Guelph,
 - (iv) establishing an Agricultural Research Institute at Guelph,
 - (v) greatly expanding agricultural marketing research without reducing production research,
 - (vi) having agricultural representatives function as farm management adjustment advisors for commercial farms and as Rural Development adjusters for submarginal farms.

Chapter 14 - Other Important MattersA. Interprovincial and International Aspects

This section of Chapter 14 deals with interprovincial and international competition for Ontario farm products. Other interprovincial and international aspects of agricultural production and marketing in Ontario have been discussed in earlier chapters.

Ontario's share of Canada's cash farm income increased during the last decade to where it now accounts for about 31 per cent. Ontario's share of Canada's cash farm income from crops increased, and its share from live stock decreased, during the decade. In spite of the importance of its agriculture, however, Ontario consumes more than it produces of most important farm products.

Increasing competition in Ontario's large and expanding markets gives rise to pressures from Ontario producers to control production and regulate movements into the province from other provinces and other countries. National marketing boards are often proposed for this purpose. The control of domestic trade by national marketing boards is probably unconstitutional. Apart from this difficulty, however, we believe that Ontario farmers have more to lose than to gain from control operations of national marketing boards; because of federal realities such as the policy of inter-regional equalization. We think that interprovincial co-ordination can be achieved effectively between existing agricultural marketing agencies when and where needed.

It has been claimed that producer groups could operate and finance national marketing boards and two-price systems. A network of two-price systems might not be tolerated by our consumers at home or our trading rivals abroad unless it was co-ordinated and controlled by the federal government in the public and national interests. Two-price systems operating on a continuous basis would likely require production quotas.

We see two basic weaknesses in a policy of increasing Ontario's overseas exports: high costs, and a deficit domestic position. The prospects for maintaining, let alone increasing, Ontario's exports to the United Kingdom and Western Europe are not encouraging. Most of the key adjustments which we have been recommending with respect to streamlining production for the home market would also be required if an export drive were to be taken seriously.

Ontario markets have definite advantages for Ontario products: these home markets are already large in number of consumers and average purchasing power, they are expanding rapidly in size, they are close to Ontario's most productive farming area, and they are relatively well understood. Ontario's regional competitiveness in agricultural products cannot be taken for granted, however. More joint effort by producing, processing and distributing groups is needed to capture a larger share of the home market.

Our recommendations on the subject of Ontario's agricultural competitiveness follow:

1. We recommend that the Ontario Department of Agriculture be responsible for a systematic collection for publication of monthly movements (quantity and value) of farm products into and out of Ontario.
2. We recommend that Ontario actively endorse the recommendation of the Royal Commission on Price Spreads of Food Products for the provision of a federal statute enabling incorporation of interprovincial co-operatives.
3. We recommend that a recognized trading specialist be stationed at Ontario House in London, England, to seek out prospective European customers for our farm products and to relay back to producers, processors and other members of the trade in Ontario precisely what kinds, qualities and other specifications of products are in demand in various overseas markets. This trading specialist must work in close harmony with Canada House.
4. We recommend that the proposed vertical marketing associations for potatoes, fruit for processing, butter, beef, pork, and soya beans place high priority on developing vigorous programs for decreasing the costs of producing and marketing these products in Ontario and on capturing larger shares of the home market for these products.

B. Rural Development

Rural Development has important implications for land use and resource conservation, especially human resources. Private persons working within the economic horizon of one life-time tend to underestimate the value to the economy of investment in the human resource, in reforestation, and soil and water conservation. Governments therefore must take the initiative in this field.

1. We recommend that the Ontario government, in co-operation with the federal government and with local initiative, develop a broad inter-departmental program of Rural Development, and that this be written into the production part of the Agricultural (Production and Marketing) Adjustment Act proposed in Chapter 13.
2. We recommend that generous federal-Ontario pilot "ARDA" projects be started soon in the more urgently needy regions of the province mentioned in this chapter. This should include a program for re-training displaced persons.
3. We recommend that technical courses be offered wherever possible in schools in depressed rural areas. (Also see related recommendations in Chapters 11 and 12.)

C. The Margarine-Butter Issue

The margarine-butter issue is a controversial one, upon which honest differences of opinion exist. The substitution of margarine for butter is only part of the complicated interrelationship among all animal and vegetable fats and oils. As we pointed out in Chapters 2 and 8, trends in the consumption of dairy products indicate a need for de-emphasizing butterfat, as distinguished from other nutrients in milk.

The main reason for wanting margarine yellow is that the consumer regards

it as the traditional colour for a quality bread spread. The margarine makers and consumers want to colour their margarine indistinguishably from butter. History elsewhere suggests that the lifting of the colour ban in Ontario is just a matter of time.

We recognize that factory colouring-like-butter of margarine in Ontario would be a convenience to margarine users as well as a boon to margarine producers. On the other hand, dairy farming is the most important branch of agriculture in Ontario, and cream (butterfat) producers are the largest single group of dairy farmers. The cream cheque is often this group's most regular source of cash income. If yellow colouring of margarine were to be allowed in Ontario, we feel certain that the sales of butter would decline as a result. This impact would be especially strong during the first year.

1. Time must be allowed for adjustment before permitting the yellow colouring of margarine in Ontario. As a preliminary step, we recommend that the retail price of butter be reduced initially by 10 cents per pound, with the federal government absorbing the major share of the 10 cent drop and the farmer absorbing the remainder. This should result in increased consumption, in decreased production, and in lower stocks. After the first year, further price adjustments might be necessary to make butter competitive.
2. To give butterfat producers time to adjust, we recommend that the Ontario government announce now that four or five years from now all restrictions on margarine colouring will be lifted.
3. Many butterfat producers are on marginal farms in marginal farming areas. These producers must be convinced that the market outlook for butterfat is bleak, and then they should be helped to adjust their type of farming or their occupation. We recommend that butterfat producers be helped to adjust by the Rural Development program outlined in section B of Chapter 14.
4. The Ontario and federal governments in the past have encouraged butter production and must bear major responsibility for the present surplus situation. We recommend that a joint or separate program of research be undertaken by the Ontario and federal governments to try to find new uses for butterfat, and ways of placing more economic emphasis on solids-not-fat.

D. The General Farm Organizations

Since current government programs are in large measure what farm groups have requested, the Enquiry Committee believes that farm organizations should give very careful study to policies and their long-run effects and side-effects before pressing them on governments. We commend the resolution at the 1961 annual meeting of the Canadian Federation of Agriculture: "Resolved that in future, before going to government with our problems, we investigate as to whether the solution does not lie within our hands." This sometimes requires consulting impartial specialists.

When the commodity groups were established, the commodity approach to organizing was probably the right one. It seems to the Enquiry Committee, however, that at the present time two general farm organizations and the many commodity organizations result in duplication, waste and weakness. Commodity organizations tend to think only of their own product and ignore any harmful influence on other farmers. Also, there is too much money held idle in bank accounts and securities throughout the network of Ontario farm organizations right down to the local level.

1. With the trends to fewer farmers and their declining political influence, the Enquiry Committee believes that the interests of Ontario farmers as a whole could be served better by one general farm organization. Accordingly, we recommend that the Ontario Federation of Agriculture and the Ontario Farmers' Union unite soon with a single, clear and responsible voice.

2. To look after producer marketing, the single general farm organization should have commodity departments. Specialists should be hired to manage the day-to-day details of the commodity departments, but subcommittees of elected producers should be responsible to the general farm organization for each department's actions. The elected president of the general farm organization would be automatically a member of each commodity subcommittee.

Although some of us feel that it could undermine the independence of the general farm organization, the majority of us feel that these commodity subcommittees should carry on the activities now performed by local producer marketing boards. All farm organization funds would be handled by the general farm organization with separate accounts for each commodity subcommittee. Adequate funds would be retained in the central account of the general farm organization, however, to retain competent research and legal staffs and to maintain field services, all of which would give the average farmer more for his deduction dollar. The commodity subcommittees should co-operate with the vertical commodity marketing associations recommended in Chapter 9 of our Report.

The Enquiry Committee recognizes that existing commodity organizations are deep rooted and may hesitate to voluntarily hand over their authority. A majority of us believe, however, that it would be in the interest of Ontario farmers as a whole for them to do so. To achieve this objective, therefore, a majority of us recommend that a maximum period of about three years now be set for the merging of the Ontario Federation of Agriculture and the Ontario Farmers' Union, at the end of which period local marketing board powers would be transferred from existing commodity organizations to the single general farm organization by the Ontario Farm Products Marketing Board. The general farm organization would then delegate these producer board powers to its appropriate commodity subcommittees.

ALL OF WHICH, INCLUDING THE MINORITY REMARKS WHICH FOLLOW,
IS RESPECTFULLY SUBMITTED,

F. W. P. Jones
.....
F.W.P. Jones,* Chairman

E. F. Palmer
.....
E.F. Palmer,* Vice-Chairman

D. R. Campbell
.....
D.R. Campbell*

Gordon W. Greer
.....
Gordon W. Greer

Gordon L. Hill
.....
Gordon L. Hill*

15 JUNE 1961.

*Subject to the reservations and comments which follow.

CHAPTER 17 - MINORITY REMARKS

1. Mr. Gordon L. Hill

The opportunity to join the Ontario Agricultural Enquiry Committee provided me with a unique and wonderful opportunity to gain first hand knowledge and information about the industry. I appreciate the opportunity of working with, and have enjoyed the complete co-operation of, our staff as well as the other Committee members.

As could be expected many decisions had to be based on personal opinion and naturally not all Committee members thought alike. To the extent that my opinions differ from those already expressed by the Committee, I wish to make the following comments.

- (1) The Report indicates to me that the Committee underestimates the significance of the degree of concentration in industries outside farming.

Steel-makers are quoted in the daily press to the effect that their mills can be profitable when operating at as low as 52 per cent of capacity. Care is then taken to ensure that greater quantities of steel are not produced than can be marketed. Farm implement and automobile manufacturers estimate the quantity of merchandise which they expect to sell each year, and when that quantity has been produced, their employees are laid off. Recently three United States corporations engaged in the manufacture of electrical apparatus were fined substantial amounts of money, and seven of their executives received jail terms, for fixing prices. Canadian corporations have also been fined for fixing prices. However, it seems very difficult to establish proof of monopoly, and the frequent reports of identical bids received when tenders are called for equipment and supplies lead me to believe that not all instances of collusion have been successfully prosecuted.

I find myself wondering just how much competition really exists. Doctors, lawyers and mechanics have schedules of agreed charges, and usually these are strictly adhered to. Workers in plants are organized, and enforce demands for realistic, uniform wages with collective action if necessary. Gold mine shareholders receive the benefit of Government subsidy.

How then can farmers rely entirely on supply and demand? Other major sectors of the economy enjoy prices that are established at artificial levels by one method or another - tariffs, controlled production, administered prices, subsidy, etc. - and agriculture must do the same. Producer marketing, both co-operative and compulsory, can be of immeasurable assistance in this regard. The goal of producer marketing organizations should be to raise prices to equitable levels and provide stability at that level. Where compulsory marketing plans are in operation the marketing organization should have control of all of the product coming into their area from other provinces. This would require national marketing boards, or an amendment to the constitution of Canada.

Farmers are frequently told that increased efficiency is the answer to their problem. Other industries are offered as an example and farmers are advised to conduct their affairs on a similar pattern. There is one variation however. In most cases, the industry used as an example has increased its price level as well as its efficiency. Farmers, however, are told to increase efficiency and reduce prices.

- (2) Contract farming was thoroughly discussed by the Committee and quite rightly so. The chief reason for contracting seems to be to reduce risk. Feed companies and food processors write contracts with farmers and agree to accept some of the risk associated with production. I find it difficult to understand why the profit margin is so small that farmers cannot afford to carry production risks while the profit margin in food processing and

selling feed is sufficient to enable these companies to carry not only the risk associated with their business but to share the farmer's risk as well. I do not oppose contracting fruit and vegetables for processing, because in such instances the contractor assumes responsibility for marketing the product. However, in the case of poultry, eggs, beef cattle, and hogs, production is often stimulated by contractors who simply wish to increase their sales of feed. The live stock industry is much too important in Ontario to endanger its market position for the benefit of such companies.

- (3) The Committee made a thorough study of co-operatives and found them to be extremely valuable to farmers. Co-operatives originated from the Rochdale Equitable Pioneers Society, which was organized by a group of weavers in England in 1844. Lest the guiding principle of co-operative action, approved by the Rochdale Pioneers, be lost to posterity I wish to set them out here, as stated by Emory S. Bogardus:
- (a) Open membership in their association to all who would co-operate in good faith, without restrictions regarding race, colour, or creed.
 - (b) Each member shall have one vote and only one vote and there shall be no proxy voting.
 - (c) Capital shall receive a limited and predetermined rate of interest.
 - (d) Net savings shall be distributed to members on the basis of their patronage of the association's goods and services.
 - (e) All trading shall be done on a cash basis at fair market rates.
 - (f) Accounts shall be audited regularly and reports made regularly so that members may discuss the association's affairs intelligently and act accordingly.
 - (g) Frequent discussion meetings shall be held by the members in order to consider the current state and possible development of their association.

Although business practice has changed since 1844, I suggest that these principles are still valid today, and recommend that they receive active consideration by all members of co-operatives.

Co-operatives should be social, as well as economic, organizations. I fear, however, that pressures from the world of commerce encourage co-operatives to concentrate on profit and abdicate their social responsibilities. There is a tendency to forget that the first objective of co-operatives should be to provide service, rather than profit, for its members. Co-operatives cannot offer contracts to all members, but the equity of all members is used to provide a special service for this select few. Contract farming is selective and therefore contrary to co-operative principles. Should the one member, one vote principle be lost, a co-operative will simply become another corporation, striving to separate farmers from their hard-earned cash. I would not like to sacrifice co-operative principles merely to build another corporate structure.

- (4) I would also like to comment on the attitude of farm people to their organizations. Being a practising farmer myself, and having had some experience in farm organizations, I feel qualified to make a few comments.

Farmers, generally, are hard-working, industrious citizens. They live to produce. They are proud of their property but tend to apologize for their occupation. They enjoy satisfaction from a job well done and respect Mother Nature.

Although farmers have mastered the art of production they have practically ignored marketing and have endeavoured to remain rugged individuals in an organized society. I in no way ignore the many organizations which have been built and maintained by a relatively small percentage of farmers. I am referring to the reluctance of the majority of farmers to use the many opportunities of vigorously participating in collective action.

This is not good enough. Farmers are in a vicious cost-price squeeze and will only be extricated by collective action. They tend to blame governments, the trade, or their own organization when in reality they are the authors of their own misfortune, at least to the extent that they have sat idly by and allowed this to take place.

If farmers would improve their position they must first become well organized. They must concentrate on the business aspects of farming, learn to market as efficiently as they produce, and get into step with the other segments of our economy, as the Report recommends. If agriculture chooses to be dragged kicking and screaming into the "sixties" as it was through the nineteen fifties there will be few familiar faces on the scene in the seventies.

- (5) I would like to endorse the remarks of Dr. E. F. Palmer concerning factory colouring of margarine.
- (6) I am also associating myself with Professor Campbell in minority remark 4 concerning two-price programs.

2. Dr. E.F. Palmer and Dean F.W.P. Jones

In agriculture, as elsewhere, controls and regulations are necessary to an orderly society. But, carried to extreme, they tend to defeat themselves and, as well, destroy that individual initiative and enterprise on which progress so much depends. So we face the problem of trying to determine some point beyond which control and regulation should not go. It may have to be a somewhat flexible point. It should be to the general advantage of all segments of society.

Yet, in agriculture, increased control, and conformity by coercion if necessary, seem more and more to be in favour as the road to prosperity. And, if our economy fails to provide prosperity for all, including the inefficient, then the state presumably must step in with some equalizing factor.

We hold to the view that regulation and control should not go beyond the minimum necessary to substantially accomplish objectives accepted as necessary. Beyond that, the maximum of freedom is desirable to encourage initiative and independence of thought and action. Under complete control competition ceases. Absent is the urge, the need, to improve.

Specifically, we believe that there is inherent danger in our marketing legislation, particularly in the wide "agency" powers given to local marketing boards. It is hardly reassuring for a local board to say that it wants the powers in case of need, and has never abused them. These powers could be abused, given time and circumstance, by any and all local marketing boards.

Sooner or later the monopolistic powers of marketing boards are likely to be challenged on behalf of the general public. Would there be any real loss, any long-term loss, to producers if agency powers were ended, reliance placed on negotiating powers only, as is now the case with most marketing boards?

Also inherent in our marketing legislation is the ability of one segment of our society, in its own interests, to penalize others. We may concede, as we do, that the producer is entitled to more control over the products of his labour. Nevertheless there must be, at some agreed point, a reconciling of

conflicting interests - of the conforming producer, the non-conforming producer, the processor, and the consumer.

Control of one food commodity only, or even two or three, may be of little consequence if the consumer has a choice of satisfactory alternatives. But the problem becomes increasingly acute as more and more commodities are brought under agency control, and the consumer is progressively restricted in choice of substitutes. For the producer, eventual public reaction could easily result in losses which would more than offset any short-time gains of monopolistic control.

An important example of monopolistic board control is found in Chapter 9 where the Report states that members of co-operatives cannot automatically be exempted from compulsory board assembly and service charges.

Fundamentally this becomes a question of compulsory versus voluntary collective marketing. Is the marketing board or the co-operative to be given priority in this case of conflicting jurisdiction? The rights of co-operatives to handle and process their members' products and pay out patronage dividends are crucial to their survival. Producer marketing cannot be strengthened by sacrificing co-operatives. We believe that co-operatives should be exempt from compulsory board assembly and service charges unless otherwise ordered by the Agricultural Industry Board, proof of need of non-exemption being the responsibility of the affected local marketing board.

Sometimes questionable powers or privileges are also granted to co-operatives. We would cite as an example the exemption of milk hauling co-operatives from the "public convenience and necessity" requirements under the P.C.V. Act, discussed in Chapter 10 (e).

In general, in view of the keener competition now prevailing in world commodity markets, we doubt the wisdom of Ontario agriculture doing anything that would increase rigidities in the present system of adjusting prices and costs.

3. Dr. E.F. Palmer

Consumer Briefs, and the Brief of the Edible Oils Institute asked for factory colouring of margarine, and stressed that, since butter yellow is traditional for a bread spread, factory yellow-like-butter colouring should be permitted.

I agree that factory colouring will come but I see no compelling reason why factory-coloured margarine must be indistinguishable from butter. The claim that it is "traditional", and the insistence of a segment of margarine users, are hardly compelling reasons.

In my view the margarine industry, in Ontario and elsewhere, might well consider a more positive and imaginative policy in the promotion of its product. Nutritional values equal to butter at its best are claimed for margarine. Margarine, too, is consistent in its nutritional values whereas butter may vary with the seasons. Some medical researchers support the health claims of margarine in affairs of the heart but of this there is no conclusive proof.

If margarine, as a food product, is the equal of butter why submerge its identity? The manufacturers of other products usually do everything they can to differentiate their products in the eyes of consumers. Other "spreads" do not attempt to duplicate butter in colour or taste. A positive approach for margarine makers would be to establish a distinctive colour or colours (yellow perhaps but not butter yellow) and capitalize on that distinctive colour. Surely it would be better in the long run for margarine to stand on its own merits as an established, nutritious, healthful food, rather than label itself as a cheap substitute for butter. But what we have, seemingly, is a product which isn't butter, never can be butter, yet insists on being butter, outwardly

and in taste.

The effect of factory colouring-like-butter on our dairy industry has been examined in Chapter 14. Substantial harm would result. Yet I see no harm, financial or otherwise, to margarine users if the yellow of margarine and the yellow of butter are readily distinguishable, one from the other. Also, while colour cannot be patented or otherwise protected, butter has some moral right to butter-yellow, since the "tradition" was created by butter.

Moreover, the consumer, in public eating place or private home is entitled to know, without placard or asking, what he is being offered. Colour differentiation would protect both butter and margarine users. While margarine users may be satisfied with indistinguishability, butter users may not. In the insistence on equal rights for margarine users no thought seems to have been given to the rights of butter users.

Parenthetically, if factory yellow-like-butter colouring of margarine were permitted, the dairy industry might well consider letting margarine enjoy a Pyrrhic victory, shift the colour of butter sufficiently to be distinguishable, and capitalize on that fact.

Also, if we assume that the health and consistent-nutrition claims for margarine eventually are proven valid, the margarine industry conceivably will be glad to have its product readily distinguishable from an inferior (?) yet more expensive product. "Inferior" may be questioned as butter may yet be shown to have nutritional values over and above those presently incorporated in margarine.

It should be possible to agree on readily distinguishable yellow tints for butter and margarine, both tints entirely acceptable to the consumer.

4. Prof. D.R. Campbell and Mr. Gordon I. Hill

The possibilities for increased returns through the operation of two-price systems are particularly important for Canadian agriculture because of two facts. First, about 28 to 30 per cent of Canadian agricultural production is still exported, and second, the Canadian wage and price structure is generally high compared with most foreign economies.

A two-price system can bring higher returns to producers under a considerable range of economic conditions providing it is operated correctly. The economic principle involved is to sell at different prices in different markets in order to equate the returns from selling an additional unit in each market. This principle has been followed by the Ontario Cheese Producers' Marketing Board with considerable success, as indicated by a recent study at O.A.C. Much of the additional returns from that particular operation, however, were dissipated among other dairy groups in Ontario and in the rest of Canada. Thus, the two-price system will normally be effective in raising the returns to the groups undertaking the operation only if they have a really predominant share of total output in Canada and the possibility of imports is low. For a few products - tobacco, white beans, soya beans, and to a lesser extent cheddar cheese, Ontario has this predominant production position. For most other products a national marketing board would be necessary in order to conduct a two-price system.

While we agree with the Committee's objection that national marketing boards which attempted to control production would quite probably introduce quota systems which might be to the detriment of Ontario producers, we feel that national marketing boards might raise the return to producers by undertaking two-price systems. The situation of a domestic price higher than the foreign price would be similar to the current position of agriculture in Great Britain and most countries of Western Europe, and to the current position in Canada for most of our imported industrial products which are subjected to a relatively

high Canadian tariff.

To abandon the possibility of two-price systems because of the possibility of increased production would be similar to abandoning any effort toward increasing demand, which would naturally tend to increase production as well.

APPENDIX A

PUBLIC HEARINGS, SUBMISSIONS AND CONSULTANTS

A list follows of the organizations and individuals presenting briefs at the public hearings held by the Agricultural Enquiry Committee. All of the hearings, unless otherwise noted, were held in Toronto. A second list follows of written submissions which were not presented at the public hearings. A third list follows of persons consulted by the Committee.

1. Public Hearings

1959

- May 19 Ontario Farmers Union, 5 Douglas St., Guelph.
Ontario Federation of Agriculture, 409 Huron St., Toronto.
- June 1 United Co-operatives of Ontario, 35 Oak St., Weston, including the Briefs of:
- United Dairy and Poultry Co-operative, 35 Oak St., Weston.
- First Co-operative Packers of Ontario Ltd., Barrie.
- June 2 Markets Branch, Ontario Department of Agriculture, Toronto.
- June 15 The Commission Merchants of the Toronto Public Terminal Market in co-operation with the Ontario Stockyards, Toronto.

United Co-operatives of Ontario (Live Stock Marketing Division), 35 Oak St., Weston.

Canadian Co-operative Wool Growers' Ltd., 217 Bay St., Toronto.
incorporating the Briefs of
- Simcoe County Sheep Producers' Association
- Brant County Sheep Producers' Association
- Canadian Sheep Breeders' Association
- Sept. 22 A joint Brief from
- Ontario Poultry Producers' Association, 409 Huron St., Toronto.
- The Poultry Industry Council of Ontario, C.F. Luckham, St. Williams.
- The Ontario Broiler Growers' Association, C.F. Luckham, St. Williams.
- The Ontario Turkey Association, 224 Sunset Dr., St. Thomas.
- Oct. 6 The Milk Industry Board of Ontario, Ontario Department of Agriculture, Toronto.

Channel Island Breeds Milk Producers' Association, 290 Lawrence Ave., W., Toronto.

A joint presentation from
- Ontario Milk Producers' Co-ordinating Board, 409 Huron St., Toronto.
- Whole Milk Producers' League, 409 Huron St., Toronto.
- Cheese Producers' Marketing Board, Box 299, Belleville.
- Cream Producers' Marketing Board, 409 Huron St., Toronto.
- Concentrated Milk Producers' Association, 409 Huron St., Toronto.
- Oct. 7 Automotive Transport Association of Ontario (Milk Transporters Division), 439 Queen's Quay, Toronto.
United Dairy and Poultry Co-operative, 35 Oak St., Weston.
Ontario Milk Distributors' Association, 86 Isabella St., Toronto.
Ontario Creamerymen's Association, 86 Isabella St., Toronto.
Ontario Concentrated Milk Manufacturers' Association, 86 Isabella St., Toronto.

- Oct. 14 Meat Packers Council of Canada, 200 Bay St., Toronto.
 Free Enterprise Inc. Producers of Ontario, C.M. Saults, Belgrave.
 Ontario Hog Producer Organizations, 4198 Dundas St. W., Toronto.
 David D. Monieson, "An Opinion of the Selling Methods of the Ontario Hog Producers Co-operative."
- Oct. 15 Meat Packers Council of Canada, 200 Bay St., Toronto.
- Oct. 27 Tillsonburg
 Ontario Flue-Cured Tobacco Growers' Marketing Board, Tillsonburg.
- Nov. 17 Ontario Food Processors' Association Inc., Ontario Food Terminal, Toronto.
- Nov. 18 A joint Brief from:
 - Ontario Fruit and Vegetable Growers' Association, Ontario Food Terminal, Toronto.
 - Ontario Asparagus Growers' Marketing Board, 697 Niagara St., St. Catharines.
 - Ontario Berry Growers' Marketing Board, 209 McNab St., Hamilton.
 - Ontario Grape Growers' Marketing Board, 199 King St., St. Catharines.
 - Ontario Fresh Peach Growers' Marketing Board, 199 King St., St. Catharines.
 - Ontario Tender Fruit Growers' Marketing Board, Box 252, St. Catharines.
 - Ontario Vegetable Growers' Marketing Board, 209 McNab St., Hamilton.
- Nov. 18 Ontario Fresh Fruit Protective Association, Mrs. Doris Ransom, R.R.1, Vineland Station.
- Nov. 19 Institute of Edible Oil Foods, Victoria Building, 140 Wellington St. Ottawa.
 Ontario Beef Producers' Association, Burt Warnica, R.R. 4, Barrie.
 Ontario Department of Economics, Parliament Buildings, Toronto.
- Nov. 24 Ontario Potato Growers' Association, R.E. Goodin, Parliament Buildings, Toronto.
 Ontario Chamber of Commerce, 21 Dundas Square, Toronto.
 Ontario Beekeepers Association, G.F. Townsend, Ontario Agricultural College, Guelph.

1960

- Feb. 11 Imperial Leaf Tobacco Company of Canada, Box 6500, Montreal.
 Leamington Tobacco Sales Corp., Simcoe.
 Hodge Tobacco Company of Canada, Kingsville.
 Canadian Leaf Tobacco Company, Chatham.
 Dibrell Bros., Inc., Box 279, Leamington.
 British Leaf Tobacco Company of Canada, Box 10, Chatham.
 Automotive Transport Association of Ontario (Tobacco Haulers Division), 439 Queen's Quay, Toronto.
- Feb. 12 Toronto Elevators Limited, 417 Queen's Quay, Toronto.
- A joint presentation from:
 - Ontario Elevators Association, 69 Yonge St., Toronto.
 - Ontario Bean Dealers' Association, 69 Yonge St., Toronto.
- A joint Brief from
 - Soybean Growers' Marketing Board, 69 Fourth St., Chatham.
 - Ontario Wheat Producers' Marketing Board, 69 Fourth St., Chatham.
 - Ontario Grain Corn Producers' Association, 69 Fourth St., Chatham.
- Ontario Bean Growers' Marketing Board, 1358 Trafalgar St., London.

- Feb. 18 Canadian Association of Consumers, Ontario Provincial Branch, 1012 Waterloo St., London.
Automotive Transport Association, 439 Queen's Quay, Toronto.
- Mar. 10 F.R. Gregory, Leamington.
Miss Dorothy Hoyle, 109 Bay St., Stratford.
Mrs. Hubert Riches, 181 Whitlock St., Stratford.
Farm Economics and Statistics Branch, Ontario Department of Agriculture, Toronto.
- Mar. 11 Mrs. Jean Goodhue, Erieau.
Miss Ethel Smith, 169 Colin Ave., Toronto.
Mrs. Fred C. Jackson, Hillview Drive, R.R. 1, Richmond Hill.
Mrs. J.F. Croskery, 48 Paperbirch Dr., Don Mills.
Mrs. Gladys R. Douglas, 143 Parliament St., Toronto.
- Mrs. S.M. Wickens, 12 Greenland Rd., Don Mills.
Mrs. R. J. Somers, 1440 Trotwood Ave., Port Credit.
Mrs. D. Roy Welch, 7 Hartfield Court, Islington.
Mrs. Freda McConnell, Erieau.
Mrs. Jack N. Gourlie, 55 Transwell Avenue, Willowdale.
Mrs. C.A. Harris, 22 Tremont Cres., Don Mills.
Mr. E.H. Ashdown, 40 Glen Road, Toronto.
Mrs. S. Baker, 28 Vonda Cres., Willowdale.
Miss Dorothy Law, (Hamilton Business & Professional Women's Club)
58 Emerald St., S., Hamilton.
Mr. P.A. Cheevers, 223 Church St., Toronto.
- Apr. 29 Emo
A Brief from the Rainy River District Farmers and farm organizations.
- May 2 Dryden
A Joint Brief from farm organizations in the Kenora District including:
- Milk Producers' Organizations
- Agricultural, Veterinary and Artificial Breeders' Association
- Agricultural Societies
- Soil and Crop Improvement Associations
- Agricultural Advisory Committee
- Seed Growers' Association
- May 3 Fort William
Thunder Bay Milk Producers' Association
- May 4 Sudbury
Manitoulin Federation of Agriculture
Sudbury Soil and Crop Improvement Association
Sudbury Coloured Margarine Committee
Co-operative Regionale Nipissing-Sudbury
- May 5 New Liskeard
A joint Brief from the following:
- Temiskaming Soil and Crop Improvement Association
- Beef Producers' Association
- Sheep Breeders' Association
- Cattle Breeders' Association
- Cream Producers' Association
- Federation of Agriculture
- Farmers' Union
- Junior Farmers' Association
- Holstein Breeders' Association

Temiskaming Milk Producers' Association

May 6

Cochrane

Local 220, Porcupine Camp, Ontario Farmers' Union
 Val Gagne Farmers' Co-operative
 Porcupine Chamber of Commerce

A joint Brief from:

- Cochrane Board of Trade
- Cochrane Agricultural Society
- Cochrane Milk Producers' Association
- Cochrane Farmers' Co-operative
- Cochrane North Soil and Crop Improvement Association
- Kapuskasing Milk Producers' Association

2. Written Submissions

The following individuals and associations in Ontario made written submissions to the Agricultural Enquiry Committee, but did not make a presentation at a public hearing.

Beaumont, Bruce, R.R. 4, Mitchell.

Canadian Red Cherry Institute, 143 Yonge Street, Toronto.

Hegewald, O.H., Moffat.

Horning, Henry, Cochrane.

Nazwaski, Peter N., 2419 Centre Road, Cooksville.

Ontario Forest Industries Association, Toronto.

Plewman, A.E., 41 Arnold Street, Richmond Hill.

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3. Persons Consulted by the Enquiry Committee

We consulted the following people and are very grateful to them for their co-operation and assistance. They are not to be held accountable, however, for any opinions contained in our Report, which are the responsibility alone of the Enquiry Committee.

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MacLachlan, J.D., President, Ontario Agricultural College, Guelph.

McArton, A.W., Agricultural Agent, Canadian Pacific Railway, Toronto.

McLeod, R.P.C., Traffic Manager, Ontario Northland Transportation Commission, North Bay.

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SECRETARIAL AND RESEARCH STAFFS

As we have recorded with gratitude in our Acknowledgements, the Enquiry Committee was ably assisted by its research and secretarial staffs. We list the members of the secretarial and office staff below indicating their positions and periods of employment with us, at Committee Headquarters in Toronto, and their previous affiliation. On the next two pages is a similar list of members of our research staff with the additional mention of their main research areas and the location of their work for us. Professors MacGregor, Winder and Perkins of the Ontario Agricultural College Department of Agricultural Economics worked on Enquiry Committee projects on a loan basis and were not on our payroll. The Ottawa personnel shown were all employees of the Canada Department of Agriculture, Economics Division, which undertook a project for us on family farming and rural-urban migration in Ontario. This Ottawa project has yet to be completed.

Secretarial and Office Staff

<u>Name</u>	<u>Title</u>	<u>Period of Employment</u>	<u>Affiliation</u>
C.M. Riach	General Secretary	May 1959 to June 1961	Statistician, Ontario Department of Agriculture
Miss E.M. Wallace	Secretary	Sept. 1959 to Feb. 1961	Ontario Department of Agriculture.
Mrs. Mary Curtin	Stenographer	Mar. 1960 to June 1961	
Mrs. Marguerite Jones	Typist	Sept. to Oct. 1960 Apr. to June 1961	
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(a) Located at Committee Headquarters, Toronto

<u>Name</u>	<u>Title</u>	<u>Period of Employment</u>	<u>Main Areas of Work</u>	<u>Previous Affiliation</u>
Dr. W.E. Haviland	Director of Research	Sept. 1959 to June 1961	Directing research, drafting reports, and advising Committee generally	Commodity Chief, Royal Commission on Price Spreads of Food Products
A.A. Burnett	Economist	Oct. 1959 to May 1961	Marketing systems, vertical integration and various other subjects	Ph.D. student, McGill University
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H.J. Weijls	Economist	Mar. to Dec. 1960	Chain store buying and selling of farm products, margarine-butter problem	Economist, Ontario Department of Agriculture
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Pamela Thompson	Research Assistant	May to Sept. 1960		Senior student, University of Toronto

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Dr. W.A. MacGregor*	June to Sept. 1960	Income and price elasticities of demand	Professor
Dr. J.W.L. Winder*	June to Sept. 1960	Transportation problems	Assistant Professor
B.B. Perkins*	Apr. to Sept. 1960	Income and price elasticities of demand	Lecturer
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* Services loaned to Enquiry Committee

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Unfinished project on family farming and rural-urban migration, undertaken for the Enquiry Committee by the Canada Department of Agriculture, Economics Division.

Virge Gilchrist, project leader	R.H. Campbell
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APPENDIX C

SELECTED BIBLIOGRAPHY AND RESEARCH CONTACTS

Many valuable sources of information and ideas were tapped by the several members of our research staff in the course of their studies. Most of these sources were published material, but a few were unpublished material, and some were contacts, in person or in writing, with knowledgeable people involved in the production or marketing of farm products. (These contacts are to be distinguished from the people consulted by the Committee directly and listed in Appendix A3.) With the thought that these references might be useful to other workers in these areas, we list them below, by chapter subject matter. We need scarcely add that the people or publications listed can in no way be held responsible for the views which appear in our Report, which are the responsibility alone of the Enquiry Committee.

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CHAPTER 3 - TRENDS IN MARKETING

For Bibliography and Contacts, see below under Chapters 7 to 10, and 12 to 14.

CHAPTER 4 - TRENDS IN FARMING

For Bibliography and Contacts, see below under Chapters 11 to 14.

CHAPTER 5 - THE CENTRAL PROBLEM AND REMEDY EMERGE

For Bibliography and Contacts, see under Chapters 1 to 4.

CHAPTER 6 - OUR GUIDING PRINCIPLES

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